Published by the Chamber of Commerce of the United States

January 1922

THE NATION'S BUSINESS

Railroad Labor Pay—and Mine
By WILLIAM BUTTERWORTH

A Close-Up of Muscle Shoals
By FREDERICK SIMPICH

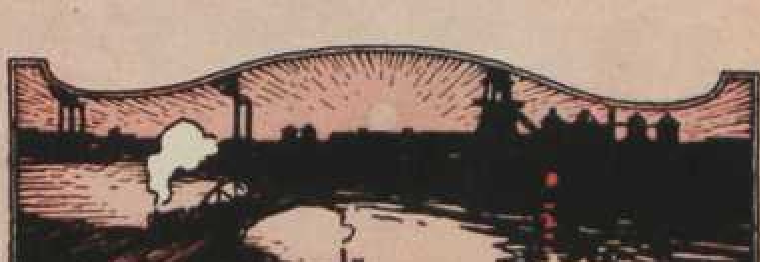
Business Outlook for the New Year
By ARCHER WALL DOUGLAS

What Keeps Your Coal Bill Up
By WARREN BISHOP

Bill Jones and Our Merchant Marine
By ALBERT D. LASKER

How Much Freedom for Business?
By a Member of the Federal Trade Commission

Uncle Sam's First Budget
Revise the Tariff—How?
New Tax Bill Explained



25 *Cents*

Hotels Statler

Buffalo – Cleveland – Detroit – St. Louis

Get to the Management

By E. M. STATLER

MANAGERS and assistant managers in our hotels represent the guest just as truly as they represent the hotels. It's you, really, for whom they work.

So when you want some special service or attention that's beyond the room-clerk or bell captain or other person to whom you apply—

When you have to go higher than the chief of some department to get satisfaction—

Then an assistant manager, or perhaps the manager, is the man for you to see.

As the manager can be in but one place at one time, and can't be on duty all the time, there are assistant managers in our hotels who are all that the title implies. An assistant manager is always available, broadly speaking; and is always glad to do his utmost to insure your satisfaction while you're with us.

You will find, below, some of our formal instructions to managers and assistant managers; they give the net of what we require of men in those positions, in their capacity of *representing the guest.*

Instructions to Managers and Assistant Managers

"YOUR BIGGEST responsibility is to see that our policies are carried out and our promises to the public are kept.

"Most of your contact with guests will be with those who want something of you. You must always do everything you can to make their way smooth and pleasant.

"If his trunk hasn't come, or his ice-water doesn't flow; if he doesn't like his room, or has trouble at the mail desk—

"Whatever the reason for his seeking you, you are to take hold *interestedly* and give him the quickest satisfaction possible.

"In all your contact with guests (and, don't forget, with your associates, too), remember that the unforgivable sin, from our standpoint, is discourtesy. A close second is lack of interest; whether a guest comes to you with a complaint or a request, he *must always* be greeted and listened to and *helped* with the graciousness and courtesy that are the spirit of our policies.

"You are the men at the top in your houses, you managers and assistant managers. But you have no special rights or privileges over any other employee of the company in the literal carrying-out of these instructions from The Statler Service Codes: 'No employee is allowed the privilege of arguing any point with a guest; he must adjust the matter at once to the guest's satisfaction, or call his superior to do so.'"

E. M. Statler

Hotel Pennsylvania

Opp. Pennsylvania Terminal, New York. *The Largest Hotel in the World*

One Day's Delay in Turn-over

Seventy billion dollars' worth of commodities are produced yearly in the United States, according to figures for 1920. Between producer and consumer this tremendous amount turns over many times. Interest on it at six per cent would exceed $11,500,000 every day.

Yet many business houses lose from five to twenty days each time they turn their capital. Delayed shipments, delayed collections, delays all along the line of production and distribution, waste capital as definitely as do stocks standing idle on shelves and warehouse floors.

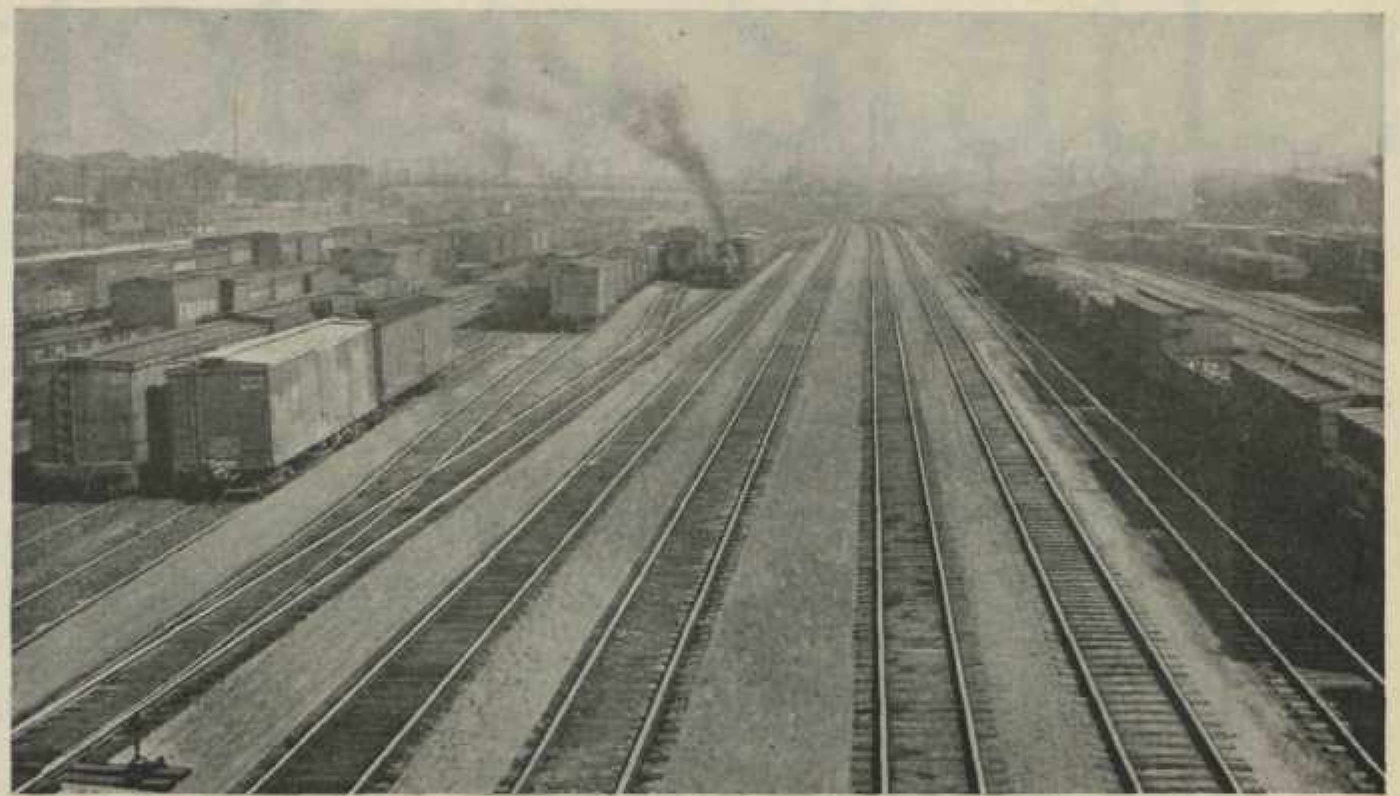
To eliminate such delays and speed up the country's business, the Irving's Bill of Lading Department is organized to expedite all B/L transactions. It traces over-due shipments, notifies consignees and presents "arrival" drafts daily by messenger in every part of Manhattan. The shipper gets a credit for the amount involved or a progress report is made through his local bank the same day. The time saved is saved for him, for his bank, for the railroads and all American business.

IRVING NATIONAL BANK

WOOLWORTH BUILDING, NEW YORK

1851:1921: SEVENTY YEARS A BUSINESS BANK

The Nation's Business is published on the 25th of every month by the Chamber of Commerce of the United States, Mills Building, Washington, D. C. Subscription price $3.00 a year; $5.00 two years; $7.50 three years; 25 cents a copy. Canadian subscription price $3.50 a year; 30 cents a copy. Foreign subscription price $4.00 a year; 40 cents a copy. Entered as second-class matter March 20, 1920, at the Post Office at Washington, D. C., under the Act of March 3, 1879.



Through the Editor's Spectacles

WHO remembers the old days when men of commerce and industry wrote a "good business hand"—when handwriting was one of the accomplishments and letters written in ink could be read with small effort? Handwriting has gone out of style because it gave way to something infinitely better. It was the old story. Hand work could not compete with machine work—the pen could not compete with the typewriter.

But we view with sorrow the fact that the decline and fall of handwriting has also meant the decline and fall of the business signature. You pick up the ordinary business letter these days, and while the body of the communication stands forth in clean-cut, perfect typography, you are lucky if you can make out the signature.

Unless you know whom it is from the name may be anything from "Blatz" to "Jones." Some of them appear to be perfect; they are made up of regular standardized saw teeth, but when you try to decode them you can't tell the "u's" from the "m's" or the "i's" from the "t's." Others confuse and dazzle you with scrolls and flourishes. And still another type is just plain awful. We are seriously considering making a collection of such horrors that come to us and offering handsome prizes to whoever can decipher them.

Plainly something should be done about it. Maybe Congress could be induced to pass a law making it compulsory for every letter to have the name of the signer typewritten in the near neighborhood of the signature—which would be a poetic justice since it would force the machine that is responsible to furnish the remedy.

WHAT becomes of the corporate dollar? What is the destination of the money we pay for a corporation's product? Not long ago the General Electric Company told how its gross receipts were distributed during its most prosperous three years, 1918-19-20, as follows:

	Cents
Wages and salaries (paid to an average of 73,900 employes)	41.7
Materials, supplies, depreciation, operating charges and losses	40.6
Taxes	5.3
Surplus (used for enlarging plants, inventories and working capital)	4.7
Dividends to all stockholders (average number, 21,461)	4.0
Transportation, telephone and telegraph	2.5
Interest on borrowed capital	1.2
Total	100.00

To the workers went more than two-fifths of the dollar. To the stockholders and lenders of capital for the concern went a little more than one-twentieth. The workers got 41.7 per cent; the stockholders and lenders of funds together got 5.2 per cent. The costs of operation took more than nine-tenths of the gross receipts. Nor is this an unusual showing. It explains, for one thing, why great enterprises cannot carry on at full speed in periods of depression merely to keep their men employed. A constant inflow of funds is necessary to keep them moving. And it explains, for another thing, that the worker gets a slice of his product which would not be greatly enlarged in each individual case were the thin takings of the stockholder and the capitalist added to it and spread over the whole salary roll.

OUR readers have enjoyed the cartoons and decorations from the brush of Charles Dunn of THE NATION'S BUSINESS art department. We want them to appreciate that Mr. Dunn is capable of more serious work of a high order. His painting, "Golden Glow," recently won second prize at an exhibition at the Pennsylvania Academy of Fine Arts.

In addition to the technical honor of second place there was a cash prize—which we understand was judiciously invested in Christmas merchandise.

LAST OCTOBER we ran a story called "Drilling for Pure Power," by Mr. Warren Bishop, in which we told how the people of Italy are hitching their engines to volcanoes and using the natural steam for power. The novelty of the story had such an appeal that the *Literary Digest* picked it up and gave it further circulation. The story bobs up again in the following letter from Stacy, California:

I would like to get a copy of this number, as we are interested. We have boiling springs here that could also be used. Could you tell me how to figure the size of plant to install when the amount of water flowing from the spring is known and also the temperature? . . . These springs have a temperature of 204 degrees, the boiling point of water in this altitude. There are seven, flowing from 100 to 200 gallons per minute.

EVERY now and then we get proof that THE NATION'S BUSINESS isn't thrown away as soon as it is read. Two letters that come in the same mail suggest that the magazine files are preserved and referred to. A. D. Childs, sales manager of the Cooper-Hewitt Electric Company, Hoboken, N. J., asks to borrow a night photograph of the Bureau of Printing and Engraving used in the April, 1918, issue; and Grace A. Turkington, of Boston, wants to use the railroad painting by R. L. Lambdin reproduced on the

25 Cents a Copy **$3.00 a Year**

In this Number

THE NATION'S BUSINESS

Vol. 10 No. 1

Published Monthly by the Chamber of Commerce of the United States, Washington, D. C.

MERLE THORPE, Editor and Publisher F. S. TISDALE, Managing Editor

SILAS BENT, J. W. BISHOP and BEN H. LAMBE, Associate Editor

General Offices, Mills Bldg., Washington, D. C.

Eastern Office GEORGE K. MYERS Woolworth Bldg., New York

Western Office VICTOR WHITLOCK Otis Bldg., Chicago

Central Office CLYDE A. STEVENS Ulmer Bldg., Cleveland

As the official magazine of the National Chamber, this publication carries authoritative notices and articles in regard to the activities of the Chamber. But in all other respects, the Chamber is not responsible for the contents of the article or for the opinion to which expression is given.

June, 1921, cover. The latter picture proved very popular as soon as it appeared. We lent it to the B. and O. Railroad some months back, and it was used on the cover of the company magazine.

IT IS not often that editors advertise complaints. Here is one that we confess gladly because it brings a new believer into the fold. It is from George O. Roberts, manager of the Clovis store of the Roberts-Dearborne Hardware Co., Clovis, New Mexico. Mr. Roberts says:

> The writer was very much pleased with a copy of THE NATION'S BUSINESS, the only one which it has been my privilege to examine, but I was unable to find in the magazine any information as to how I might arrange to receive it regularly.

We gave Mr. Roberts the information he asked, and as a result of his hint we have decided not to be so modest concerning subscription details.

IT IS a matter of some satisfaction to us that so much of the material published in The NATION'S BUSINESS is taken up by other agencies and given additional circulation. Usually it is an article that is given more wings, but that isn't always the case. We have before us a copy of a letter on reforestation sent out by C. B. Harman, secretary of the Georgia Forestry Committee of the Southern Forestry Congress. Here are some of the things Mr. Harman says:

> "'Only God can make a tree'—but any man can plant one. More power to the reforestation movement, which will make available an increased supply of wood, sorely needed for this and succeeding generations."
>
> The foregoing is a portion of an advertisement in the December, 1921, issue of The NATION'S BUSINESS, over the name of the National Shawmut Bank of Boston, Mass. . . .
>
> We don't know the cost of this advertisement but . . . every bank in Georgia could well afford the same. . . .

Mr. Harman concludes with some powerful arguments and figures in favor of intelligent protection and intelligent development of forest lands.

MR. HENRY FORD is quoted as holding that there should be no stockholders, for he deems them mere parasites.—*The Commercial and Financial Chronicle.*

Let's be fair to Mr. Ford. He didn't say there should be no stockholders. He did say the railroads "should get rid of the unproductive stockholders. . . . If the brakeman on a railroad owns stock in it, he has an additional inducement to competent service."

Nor did Mr. Ford say that stockholders were parasites. He did say: "It should be possible to retire the non-contributing stockholder and get ownership into proper hands."

JESS C. HOVER of the Vacuette Sales Company of Binghamton writes us a letter of the type we like to get. He has read an article, he doesn't like it, and he takes the trouble to tell us so. The article is M. C. Rorty's "Help Germany to Compete." Here is what Mr. Hover says:

> Today in our city the silk mills are working thirty hours per week on account of foreign competition, which is made possible because we do not have an import duty sufficiently large to enable the American manufacturer to pay his present high wages for copping, winding, warping and weaving. One of two things must happen—either the American manufacturer must reduce wages so as to compete with the imported foreign-made goods, or the good old U. S. A. must have import duties large enough so that the foreign manufacturer can-

not undersell the man who has his money invested in an American factory.

The Chamber of Commerce of the U. S. A. should be in close touch with the manufactures of the U. S. A. and have an accurate knowledge of conditions, both here and abroad, so as to protect home folks first and prevent for all time to come the American laborer from being subjected to conditions as they exist in the foreign countries today.

The Chamber of Commerce of the U. S. A. is trying to get in close touch with the manufacturers and all other business men on the points mentioned by Mr. Hover through its pending referendum on tariff principles.

NOT REGROUPING of railroads but decentralization into shorter lines is the novel remedy for transportation troubles proposed in a letter to this magazine from Martin Ford Amorous, president of the Cotton Warehouses, Inc., in Atlanta. Consolidations, he sets forth, have not been made for purposes of economy, but for financial manipulation; and he adds:

I will admit there are instances of successful operations of long lines, but in each case the same superintendent continued in control from the short-line beginning, but the truth will show when he went out the unit cost of carrying a ton of freight increased. In many cases a "strong" line took over a "weak" line; in most such cases both became "weak" lines. Hence to me the consolidation of lines did not tend to make successful transportation lines of all.

In the 1916 convention of the railroad General Managers' Association, they adopted a resolution "ordering the traffic departments of the railroads to put in use an inter-line bill and auditors' settlements, as a means of saving thirty-eight million dollars a year loss to the railroads."

This economical plan was first published by a superintendent of a fifty-mile railroad nineteen years before it was adopted by the consolidated roads.

In my opinion the further grouping of the railroads will not accomplish successful economic operation. Reduce to small units, all within separate states, abolish Interstate Commerce Commission, and we can never have national strikes. Each local unit can adjust wages and working conditions. Just to men and the public, national rate fixing and national wage fixing destroy economic operation of the several units. It overrates one and underrates others. Conditions are not uniform on any two lines, and often are not uniform on parts of the same big system. It's a local problem. Stability can be reached through building up the unit.

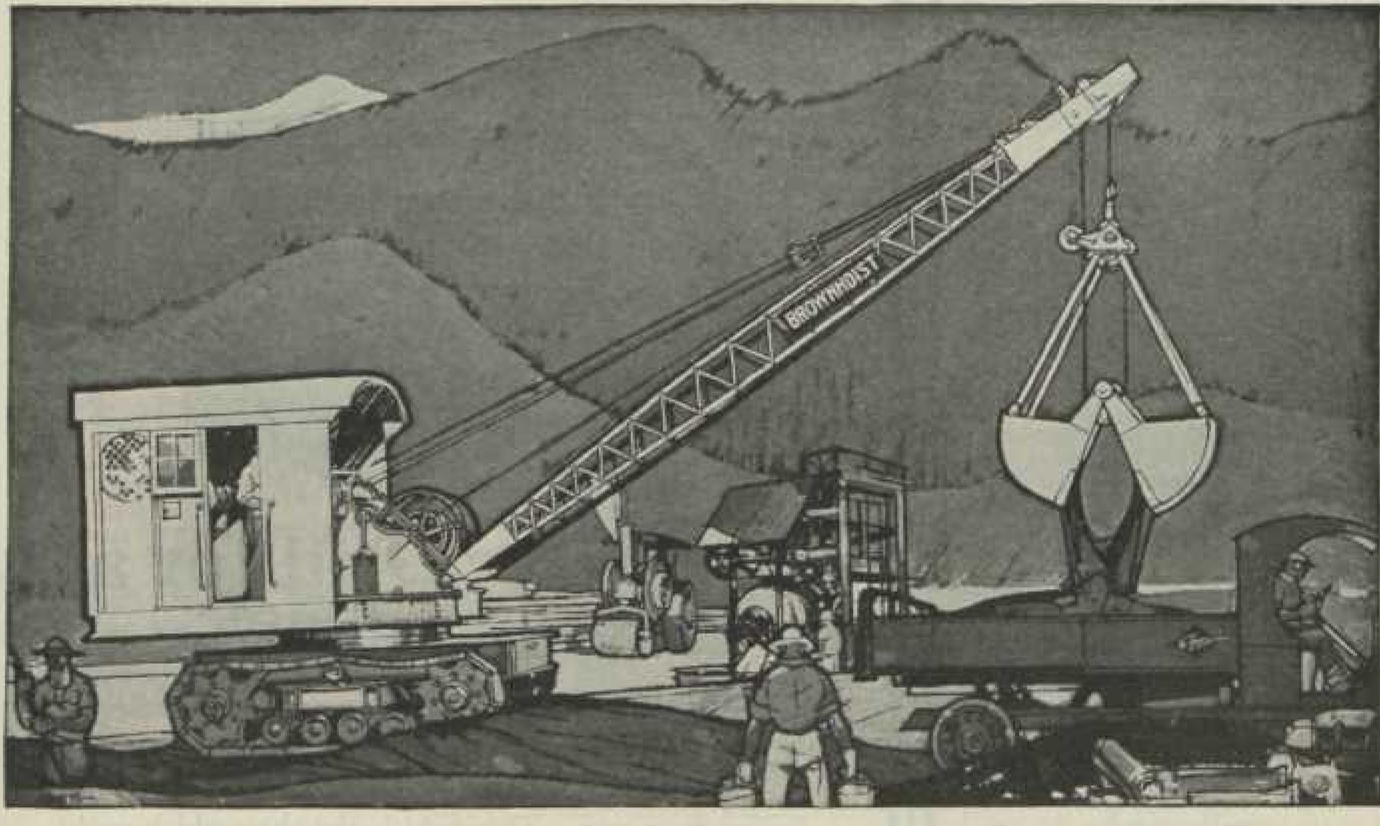
The conditions on other lines would not bring the same results as Mr. Ford shows on the D., T. and I. even with some quantity of tonnage. Yet if the D., T. & I. was a part of a long line or system, its net results per mile would not equal Mr. Ford's results.

Martin Ford Amorous, we submit, offers suggestions no more startling than some of Henry Ford's. Who knows but in some future days railroad executives in other countries shall say of this nation: By their Fords ye shall know them!

FRANCE talks of taking her telephone systems from the government and turning them over to private enterprise. "Incompetence, politics and bureaucratic inefficiency" are reasons given. The paragraph which conveys this information has a familiar sound. We turn back to our January number just a year ago and find an extract from a report on the British Post Office control of the telephone: "A technical industry should have a commercial organization of trained men of vision and enterprise."

Government management seems to find vision and enterprise neither in Great Britain nor in France.

M.T.


BROWNHOIST

THE NATION'S BUSINESS
A Magazine for Business Men

VOLUME 10, NUMBER 1 JANUARY, 1922

Railroad Labor Pay—and Mine

By WILLIAM BUTTERWORTH

President, Deere & Company, Moline, Illinois

I AM a midwestern manufacturer of farm implements. Our business has been seriously impaired, as we see it, by the high freight rates granted to the railroads of this country by the Interstate Commerce Commission. The chief incubus on business is the high cost of distribution, and in this cost the high wages paid to railroad labor is a pronounced factor.

In my factory at Moline a machine operator gets from 35 cents to 58 cents an hour, according to his efficiency and his length of service. His next-door neighbor, maybe, is classed as a machine operator in the railroad shops at Moline, and he receives for work of the same grade or lower, whatever his term of service and without regard to special efficiency, 77 cents an hour.

The poorest workman of that class receives from the railroads 42 cents an hour more than my inexperienced workman, and 19 cents an hour more than my best. You may imagine the consequence of this disparity on labor generally.

A common day laborer in the railroad shop gets 43 cents an hour whereas my best unskilled workmen get but 30 cents. The common day laborer for the railroad gets more than my best-paid machinist's helper, a semi-skilled and ambitious operator.

But the effect of this situation on labor conditions is the least of its evils. It is reflected in the high freight rates which must be paid to the railroads, rates which are fixed by the Interstate Commerce Commission at such a scale as will enable them to continue operation. This in turn is reflected in the price the farmer must pay for implements, and may well be explained both in terms of dollars and in terms of bushels of corn.

We will suppose that a farmer is buying from us a gang plow, a corn binder, a grain harvester and a wagon. These four implements, if the farmer lived in Springfield, Ill., would have cost $441 in 1913. This year they would have cost him $874. This year—and I mean by that 1921—they cost him $700.

If the farmer lived in Oklahoma City or near by, the four implements would have cost him, in 1913, $484.50. That is to say, the increase in price to our Oklahoma farmer on account of freight alone would have been $43.50. In 1920 the implements would have cost him $934. This year they would cost him $751.

Let us see what this means in terms of bushels of corn. Our Springfield farmer in 1913 would have been required to pay me 716 bushels of corn. In 1920 he would have been required to pay 583 bushels of corn.

Authorities agree that better times will come when the farmer is able to buy again. Mr. Butterworth shows that he must now pay 2,027 bushels of corn for the same purchase that would have cost him 716 bushels in 1913.

This year he would be required to pay 2,027. Our Oklahoma City farmer would have been required to pay, in 1913, 931 bushels of corn; in 1920, the price of 702 bushels; and in 1921 the price of 4,191 bushels.

In the last year there has been an increase of about 35 per cent in the cost of moving farm products by railroad. In the last six years the price of corn has dropped from 77 to 17½ cents in some cases. Therefore, when we figure the cost of farm implements to the agriculturist, we must bear in mind that his commodity (for the same thing holds true generally of wheat and other products besides corn) has fallen off enormously in selling price, whereas there has been no corresponding reduction in the price of transportation. On the contrary, the price of transportation, as I have said, has been increased.

As a matter of fact, a carload of corn will merely suffice to pay the cost nowadays of transporting another carload of corn from an Iowa farm to the Chicago market. For every carload of corn he sends to the nearest available market, the farmer must pay to the railroad one-half of what he receives from that corn.

The freight rate on a carload of corn to Chicago from my Springfield farmer in 1913 was $32; in 1920 it was $53; in 1921 it was $187. From Oklahoma City in 1913 it was $130.44; in 1920 it was $182.31; in 1921 it was $1,112.06.

Let us consider for a moment the total freight which these farmers have to pay for our product (the four implements I have named) when we take into consideration not merely the cost of moving the finished products from Moline, Ill., and the cost of moving corn to market, but the freight which he is required to pay on the movement on raw materials from their source to my factory—coke, coal, iron, steel, lumber, paint, and so on.

On August 1, 1914, the freight on raw materials for these four implements from the mine and forest to Moline was $32.85. On October 15, 1921, it was $65.60—about double. With this additional charge included the Springfield farmer paid to the railroads alone, of the total cost of the four implements, $71.60; in 1920 he paid to the railroads $132.26; and this year, if he buys the implements from me, he must pay to the railroads $265.26.

The Oklahoma City farmer is in worse plight. He paid to the railroads, in 1913, $197.97; last year he paid $308.87; and this year he must pay the well-nigh impossible sum of $1,238.08.

A 10 per cent reduction in the freight rate on farm products, with market rates unchanged, would effect a saving for the farmer on these implements of $300.

Let us compare now, that we may see the picture whole, the return the farmer gets for his labor, now as against pre-war conditions, with labor's reward then and now. We will consider corn as it is raised in Nebraska, a great corn state. On August 1, 1914, the price of corn was 60 cents a bushel; the freight rate to Chicago was 14 cents a bushel. At that time the labor of transportation to Chicago received 40 per cent of the gross railroad receipts, or 5½ cents a bushel. On November 1, 1921, the price of corn in Nebraska was 17½ cents a bushel and the freight rate to Chicago 23⅝

cents; labor received 60 per cent of this, or 14⅙ cents.

Railroad labor is occupied perhaps twenty-four hours in transporting to Chicago the corn which represents practically a farmer's whole year; and yet for that brief period labor is paid more than 14 cents in proportion to the farmer's 17½ cents. Or, to put it another way, while the price of corn in Nebraska on November 1 was less than one-third of the pre-war price, labor received for the mere act of transporting this corn to Chicago approximately three times as much as it did in 1914.

It may be said that the prices of farm implements should have been reduced, since the farmer was getting less for his product. As a matter of fact implement prices today have been more radically adjusted downward than most other products which farmers buy. The average increase over pre-war levels of the industry as a whole is but little over 40 per cent. The materials which go into implement manufacture show an average increase in cost over pre-war levels of approximately 70 per cent.

A few of these items of increase, f. o. b. Moline, are shown in the following table:

Cold rolled steel	51
Bar iron	63
Bolts, nuts and rivets	100
Soft center steel	102
Solid plow steel	141
Malleable iron	100
Coke	171
Steam coal	149
Fuel oil	91
Lumber	80

The importance of this situation in implement manufacture will be understood when it is known that 75 per cent of the total cost of implements is material.

From this it will be seen that the implement manufacturer cannot go further in meeting the present conditions without great danger of financial embarrassment. As compared with another factory product, this is the situation:

A low-price touring car today is selling in Eastern Iowa to the farmer, when equipped with self-starter and demountable rims, at a price of approximately $513. The price of this same car at Moline is a trifle over $510. We are taking the price of $513 as typifying an average. Now, with this amount of money in cash, let us see what can be done in the way of buying farm machinery. Here is a list of implements, weighing 4,346 pounds as against 1,620 pounds for the automobile, which we believe any dealer would be glad to furnish the same farmer for $513 cash:

Two-furrow gang plow, disc harrow tongue truck, 60-tooth harrow, corn planter, 6-shovel cultivator, corn binder.

As far as we here are concerned, we have already made substantial reductions in our prices and expect to continue to do so in future as reduced costs of production permit. We are continuously operating at a very substantial loss. The business world has gone as far as it can until it gets relief.

I have presented these figures, with some others, to the joint Agricultural Commission of Congress, of which Sydney Anderson is chairman. It is my firm belief that high freight rates are chiefly responsible for the present slump in American business. Until we can be relieved of the incubus of these rates, we must continue, as business men, to suffer. I do not believe that the public realizes to what extent freight rates pyramid before they reach the consumer. I do not believe the public knows how the toll multiplies before it reaches the consumer. We must have relief if we are to have prosperity.

A Close-Up of Muscle Shoals

By FREDERICK SIMPICH

IN ALL the stirring annals of the awakening South, no one event stands out like the great industrial drama of Muscle Shoals. To this vast, rich, but backward Tennessee Valley—"the Dimple of the Universe," as the romantic natives call it—the World War brought sudden, sweeping changes. Overnight, almost, Uncle Sam poured thousands of men and millions of money into this smiling, sleepy region; at Muscle Shoals, near Florence, Ala., giant power and nitrate plants were rushed to completion to make powder for fighting Germany. Prosperity—a flood of government money and fat payrolls fairly engulfed all northern Alabama. At Sheffield men paid a dollar a night for the privilege of sitting in a chair to sleep, and tales are told of bold brokers who felt so flush that they even staked houses and lots in poker games.

Then the armistice—and the cold gray dawn of the morning after. Smoke ceased belching from towering stacks, for Uncle Sam had built and worked the plant only as a war emergency. So wheels stopped humming, the army of workers trekked over the hill, and the ghostly silence of ruined Pompeii settled down on rows of empty houses, on stores, theaters and churches—boarded up like Coney Island in January.

Yet here today stands a plant of marvelous potentialities, shut down, not because the country is not hungry for its product, but merely because Congress financed its operation only for the period of the war. Time and again, too, in years past, the engineers and power experts of the nation have called attention to the vast hydro-electric possibilities of Muscle Shoals. There is more horse power going to waste here, it is said, than has yet been developed in all other southern water-power developments taken together. Next to Niagara, engineers say, there is nothing like it in all our country.

The one outstanding war-time project which should be continued as a peace-time undertaking—*at the same time retaining all its wartime functions for public safety*—is this enterprise at Muscle Shoals, says the American Farm Bureau Federation's investigating committee in a recent report. There is no problem of conservation more vital, the report adds, than that of preserving the fertility of our soil; those who dwell in cities are of course as much concerned in our food supply as those who actually grow the crops.

In May last a special committee from the Mississippi Valley Association, sent to investigate the Muscle Shoals project, recommended that $10,000,000 be appropriated by Congress to carry on construction of the partly finished work. Congress failed to do this, and lately Mr. Henry Ford has offered to buy the project from the Government. Because of the magnitude of the undertaking and its importance to the whole nation a brief sketch of what has already been done at Muscle Shoals may be interesting.

The Tennessee River at the Shoals, from which it is planned to take power to operate the nitrate plants, and for sale to other industries, is as large—at average flow—as the Ohio at Cincinnati or the Mississippi at Dubuque. The banks of the river are of such a height that a 100-foot head of water may be held without building any retaining walls or dikes, except the dam itself.

The big dam, known as the Wilson Dam, is about one-third finished and one-half paid for; when complete, it will be 4,426 feet long, 160 feet wide at the base, and will be the largest single piece of monolithic concrete construction in the world. Its height from the original river bed to the bottom of the overflow gates is 80 feet, and to the roadway on top, 133 feet.

The pool formed by the dam will extend about 17 miles upstream, and the total amount of land flooded by the water will be about 9,000 acres. This area has been practically all bought and paid for by the Government.

Two sections of the great dam, one at the north bank and one in the center of the river on an island, are partly completed. The foundation is laid for nearly all the rest of the dam, and excavations for the power plant have been made. Two locks for navigation purposes are also partly excavated, each with a lift of 45 feet and with dimensions adequate for the largest river craft.

A fully equipped nitrate plant, known as No. 2, which cost $69,000,000 and with a capacity of 110,000 tons per annum of ammonium nitrate, stands near by. This giant cyanamid process plant covers nearly 2,000 acres, and during the war it employed 20,000 men. It was rushed to completion and was producing nitrate in just one year—during the war.

Near by stands what is said to be the largest steam power plant in America. It was built so that this nitrate plant No. 2 could begin production without waiting for the completion of the Wilson Dam, which was expected to take about three years. This great steam plant produces nearly as much electrical energy as any other steam plant ever built, and contains one steam turbine unit with electrical generators which generate 60,000 kilowatts or 80,000 horse power. In addition there is provision for a smaller unit capable of producing 40,000 horse power, or a total for the entire steam-power electric plant when completed of 120,000 horse power—ample to operate the electric furnaces in another part of the plant.

The boiler-room of this immense plant holds a battery of fifteen units, each rated at 15,000 horse power. It burns 1,500 tons of coal per day—but is so remarkably equipped with automatic stokers and other devices that ten or twelve men can easily operate the whole plant.

All told, Uncle Sam has spent on this project a total of about $105,000,000. This amount, however, includes the cost of a nitrate factory known as Plant No. 1, near Sheffield, where the Haber process was em-

ployed, but which was given over largely to experiments.

Such, briefly, is the great Muscle Shoals project as it stands today. Peace has come, and in peace the lessons of war are forgotten; already we have forgotten that when the Great War started we had powder enough for less than three hours of fighting —and had to bring our nitrate all the way from Chile! But even in peace, every day adds its acreage to our growing area of worn-out, abandoned farms, farms which only artificial fertilizers can restore to speedy production. Let us see, then, what the completion of this dam might mean to American agriculture.

Though we are the richest nation on earth, in agriculture we have burnt the candle at both ends. At first we farmed only the best soil, or moved farther west, or grew content with smaller returns as farms began to wear out. Today, however, our population is increasing twice as fast as our crop production—we simply must grow more food, or eat less! As long ago as 1898, Sir William Crookes, then president of the British Association for the Advancement of Science, pointed out that the world's food consumption was running beyond the capacity of the cultivated land producing it. The only way world starvation could be averted, he said, would be by the universal use of a bountiful supply of fertilizer containing that most valuable element, *nitrogen*.

Keeping the Soil Young

EVERY wise American farmer now knows that the fertility of his soil depends upon the phosphoric acid and potash, and in a greater measure, upon the nitrogen it contains.

But because in the beginning we had virgin fields and fertile lands in such abundance, we were careless in our farming methods; and today we find that we have robbed vast areas of once good farming land of that nitrogen which only centuries can restore by natural processes.

Plain as this fact is to everybody, we must yet confess that America, despite her wealth and progress, is at least fifteen years behind countries like Germany, Norway, Canada, France, and even Japan in the production of nitrogen fertilizers. Though we have paid Chile to date nearly $850,000,000 for nitrates, and though we pay each year vast fortunes to the German Potash Syndicate, and though we have a wealth of water-power and a host of electric furnaces, till very lately we had not made one pound of air nitrates for use on our hard-taxed soil. Of all great nations, we, the poorest of all nitrogen paupers, are practically the only one which has not seized this beneficent gift of science—a gift that can save us from inadequate crop yields and rising food prices. Germany alone has built up an air-nitrate industry with an annual output of millions of tons, freeing her forever from dependence on Chile, insuring her bountiful food crops, powder in plenty when needed again, and even actually enabling her to export this product of the air and sell it for good money.

So, no matter who may finish the Muscle Shoals project, the day it starts making air-nitrates will be a red letter day in the annals of American agriculture. But it will be only a beginning—for even if developed to maximum capacity, this plant could hardly produce one-fifth of our actual needs. Georgia alone could use a million tons a year. Undoubtedly one of the greatest industries in all America, in the future, will be the production and distribution of artificial fertilizers; eventually our needs must become so imperative that perhaps the central government itself will be compelled, in order to save the nation from going hungry, to take control of the fertilizer trade to develop other power plants like the one at Muscle Shoals.

You can vizualize the importance of nitrate to this nation when you stop to reflect that our average corn crop takes from our soil about 3,000,000,000 pounds of nitrogen; that a 15,000,000 bale cotton crop uses up 500,000,000 pounds of nitrogen; that every year, all our crops together probably use up 6,000,000,000 pounds! Of course the alchemy of nature is always at work, restoring this lost nitrogen, but it does not work fast enough to keep pace with the constant needs of growing crops.

Then, too, with enough cheap power we might free our farmers from their enslavement to the German Potash Trust. Under the whole Allegheny Range, geologists tell us, there lies a deposit of "Georgia shale," so named from the enormous deposits in northwest Georgia, which runs from 8 to 12 per cent in insoluble potash. By electric furnace treatment the potash in this shale becomes soluble; so we might in time either free ourselves entirely from dependence on Germany or at least force down the arbitrary high prices now charged by the German syndicate.

A Fortunate Location

AS FOR the third element in a complete fertilizer, phosphoric acid, this is also now obtainable by breaking down phosphate rock in electric furnaces, instead of by the less practicable method of using sulphuric acid. Fortuitously, too, one of the largest phosphate rock deposits in the United States lies adjacent to Muscle Shoals, at Mount Pleasant, Tenn.

It is hard for the average man to understand how anybody, even a slight-of-hand performer, can take a hatful of air and pull an ounce of nitrogen out of it. It is a trifle easier to grasp, maybe, after you've been through the air-nitrate plant about six times and had it all demonstrated to you, but even then you keep wondering how the first fellow ever came to think of it. One guess is that he reasoned backwards—back to the simple peasant habit of "plowing under" clover or bean vines to "rest" a tired farm, simply nature's way of fixing atmospheric nitrogen by taking it out of the air and putting it in the soil in tubercules on the roots of legumes. This is just what man now does, by the use of machines and chemistry.

And, whether you want air nitrates to make gunpowder or to fertilize your potato patch, their process of manufacture is the same.

For ninety years, or since 1831, both

Photo by G. W. Landrum.

Looking across the Tennessee River at the site of the Wilson Dam. The picture was taken on Sept. 1, 1920. It shows the tracks and cranes to be used in the dam construction. The dam is to be 4,426 feet long, 160 feet broad at the base and 133 feet high from the river bottom. It will be the largest piece of monolithic concrete construction ever undertaken

Alabama and Uncle Sam have been spending money on locks and canals along the Muscle Shoals stretch of the Tennessee River. Just now, however, all navigation is blocked here by the partly finished dam. When complete, the vast inland lake created by the dam will enable the largest river craft to pass easily over the inundated shoals; great locks will pass such craft through the dam, and then the vast, rich basin of the Tennessee, with its coal, limestone, coke, iron, lumber and farm products, will be tied up with the 13,000-mile network of navigable inland waters of the Mississippi basin.

Army engineers have estimated that the cost of the improvement at Muscle Shoals, properly chargeable to navigation, should be about eight and a half millions.

They say that the improvement of the river for navigation alone would cost more than its present traffic would justify; but when coupled with an industrial development that means cheaper fertilizer, cheaper electric power for sale, a big plant on which the Government might depend for nitrates in case of war, the river improvement seems to be very much worth while.

Flood control, too, a serious problem that faces the nation, might well find its beginning in the completion of this dam in the Tennessee.

This, briefly, is the plant Mr. Ford has offered to buy. Should he do so, it will be perhaps the largest transaction of its kind ever closed. Here is what he offers:

To lease water-power equipment for 100 years, at a price that will pay the Government 6 per cent on the estimated cost of completing the two dams, or $28,000,000.

To pay the Government annually a sum that will in 100 years retire nearly its entire wartime investment on water power.

To buy the nitrate plants and other property for $5,000,000 cash.

To pay the estimated cost of upkeep and repairs on the dam and water-power equipment and furnish free power to operate the navigation locks.

To make nitrates in Plant No. 2, to conduct researches for keeping the plant up to date in developing cheaper fertilizer-producing methods, and to limit fertilizer profits to 8 per cent.

Such is the story of the power and value of falling waters at Muscle Shoals, Niagara of the South. Nowhere, perhaps, has Nature set her stage more favorably for a vast, industrial drama. I have shot wild guineas amid the ruins of Babylon, where Sir William Willcocks dammed the Euphrates to water the farms of Mesopotamia; I've fished for bass above the giant Roosevelt Dam, and I know the Valley of the Nile, with its modern miracle at Assuan. But I know no other power or irrigation site, any place, where the wealth and strength of nature seems so peculiarly assembled and ready for man's use, as here at Muscle Shoals.

What Keeps Your Coal Bill Up

By WARREN BISHOP

COAL is going to be on the front pages of the newspapers as much next spring as it ever was in the worst days of shortages and strikes.

This was the view, not of a coal buyer or a coal dealer, but of a high government official, an Olympian who sits above the business clouds.

When the statement was repeated to a man who knows the producers of soft coal, the coal on which almost all our manufacturing depends, he said:

"That is possible but I think the threatened trouble may evaporate into a situation not particularly alarming. Still there is a chance of some disturbance even sooner than spring."

What is going on in coal? Why are coal prices where they are?

The answer to that first question and the justification for the fear of trouble has to do with the wage agreements which end next March, 1922. But first let us look at that second problem—prices.

If you asked a serious-minded statistician what was the chief trouble with the coal industry and he said in effect, "It's too fresh," you might be justified in thinking that he had suddenly lost his mind.

Yet that's about what the said S. M. S. did say. In other words, the chief task of the coal business is to keep an even flow from mine to fire.

Coal is like milk in more ways than one. You can use day before yesterday's milk, but you would rather have yesterday's or today's. You can use last month's coal, but you would rather have this month's. Milk can be stored and so can coal, but there are difficulties in the way. It is quite within the bounds of probability that the coal in the furnace is fresher than the egg on the table.

George Otis Smith, director of the Geological Survey, put the same idea in a different way when he said: "Don't forget that when you buy coal, you are chiefly buying service."

But whatever the buyer buys when he pays for a ton of coal, he is finding fault. He looks at coal bills—recalls those of the years before the war. He looks back over a table of wholesale prices for a few years past and he sees "Bituminous f.o.b. mine Pittsburgh District" as low as $1 in 1915 and at $2.25 in October of this year. He sees anthracite stove down to $3.50 f.o.b. mine in 1915 and at $8.50 two months ago. He looks elsewhere in the table and he sees cattle and copper and corn all cheaper than in 1915. "Wheat," he says to himself, "is off a lot, although it's higher than it was in 1914. Cotton has come up after a slump that took it somewhere near its pre-war price. Why?"

A partial answer to that "why" may be found in some cost figures of a ton of coal compiled from various sources and for both anthracite and bituminous. And these two coal industries are in many respects as far apart as the poles. In the first place, anthracite is a "luxury coal." It is produced in limited quantities from a restricted field, and its chief use is in the household. The anthracite used for industrial purposes is largely a by-product. The normal yearly production sticks around 90,000,000 tons, of which perhaps 60 per cent goes for domestic heating. An unprecedented demand may send the production up to 100,000,000 tons, the other extra 10,000,000 being chiefly industrial.

Practically all this comes from 480 square miles in Pennsylvania, and eight companies commonly known as the railroad coal companies produce about 75 per cent.

The reserves are, in comparison, small, amounting, according to the generally accepted estimate, to between 16,000,000,000 and 17,000,000,000 tons, enough for another century or so.

With bituminous, everything is in contrast. Its users are the manufacturers of the country, the railroads and the electric utilities. The factories take perhaps 32 per cent and the railroads 28 per cent. As much, perhaps more, soft coal is actually used for domestic purposes as hard, yet so great is the production of the former that the household plays but a small part in the total.

The soft coal fields are far wider than the hard coal, more than 450,000 square miles of the United States being underlain by bituminous, while some thirty states contribute to a total output that runs as high as 600,000,000 tons a year and that could, under forced draft, turn out 800,000,000 tons while this year its output may not exceed 420,000,000 tons.

There's the difference between the two; one a closely held industry in a limited field where prices are fixed by the mine of highest production costs; the other a large business of many classes of operators spread over the United States, highly competitive, where low-cost mines fix the price as demand drops.

Let's look at the figures first for a soft coal mine. The first table is for a mine in the Pocahontas field of West Virginia and shows the cost of a ton of coal from underground to Columbus, Ohio:

Mine labor cost	$1.47	
Supplies	.22	
Overhead	.41	
*Operator's gross margin	.27	
Cost at mine		$2.37
Freight (to Columbus, Ohio)		2.38
		$4.75

*Includes Federal taxes and other items.

Those are Federal Trade Commission figures in 1920. They are not quite up to date, but they are still substantially right. Labor is the big factor in the mine cost, about 62 per cent, as it is the big factor in the other half of the picture, the freight. It is more or less guess to say what part of the $2.38 freight is labor, but 60 per cent is a fair estimate. Of that $4.75, then, some $2.90 represents labor in mine and on railroad.

Take another set of figures, this time from those submitted at the hearings on the Calder Bill to control the coal industry. They are for bituminous coal from a Central Pennsylvania District mine to Worcester, Mass.:

Mine labor cost	$2.19	
Supplies	.46	
Overhead	.52	
		$3.17
Freight (to Worcester, Mass.)		4.86
		$8.03

Here there is no allowance for operator's margin (if you can believe the operator, there isn't any profit at present prices). Here again labor looms up. If we make the same rough average of the share of railroad labor, we have out of the $8.03 a ton at Worcester, Mass., $5.11 for the two kinds of labor, about 64 per cent.

One more example, this time anthracite, worked out some months ago for a net ton of

egg size (anthracite is usually quoted by the ton of 2,240 pounds):

Labor—Inside	$3.98	
Outside	.04	
Power-house and general colliery	.18	
Administrative	.07	
		$4.27
Material—Inside	.79	
Outside	.57	
		1.36
Reserves—Local taxes	.12	
Insurance and other hazards	.24	
Depreciation, etc.	.33	
		.69
Cost to producer (total mine cost)		$6.32
Selling expense		.08
Margin from which are to be paid Federal taxes and dividends		.52
Cost to buyer at mine		$6.92
Freight charges	$6.25	
United States tax on freight	.19	
		6.44
Cost to buyer at railroad station in N. Maine		$13.36

"Labor and transportation! Transportation and labor!" On those two notes the coal operator will play you any tune you like. The labor in the ton of Pocahontas coal that the Federal Trade Commission figured last year at $1.47 was 63 cents in 1916 and still lower before. The $2.19 of the Central Pennsylvania field was 92 cents in 1916. In freight rates, that $4.86 to Worcester was $2.70 in 1914, while the $2.38 from the West Virginia mine to Columbus, Ohio, was about $1.10.

But what is it that keeps these figures where they are? The answer to that question, so far as it concerns freight rates, is a matter resting first with the Interstate Commerce Commission and second with the Railroad Labor Board. Carrying coal is the biggest task the railroads have, and their bill for that job is tremendous. About one-third of the tonnage hauled by the railroads of the country is coal, and about one-sixth of their total earnings comes from coal.

The soft coal men figure that freight rates which stuck on a level from 1912 to 1917 of about $1.30 a ton have since been increased to $2.50 a ton. The soft coal movement for the year ended August 31, 1921, was equal to 8,565,308 cars of 50 tons each. Figure it yourself if you care to, but the country's soft coal freight bill is around a billion dollars even in a lean year, and twice what it was before an Austrian archduke was shot at Sarajevo.

What of the labor part of that ton which has more than doubled since 1916 and which in some fields has grown two and a half times since 1914? Here we come back to where we began, to that statement that coal may fill the front pages of the newspapers next spring as it has not since 1919. We come, too, into a field of the bitterest partisanship, the whole tangle of the relations of the soft coal operators and the United Mine Workers.

Soft coal, the operators say, is perhaps 70 per cent unionized. That figure is a doubtful one. "Unionized" itself is a term of uncertain meaning. To the leaders it probably means that "unionized" men will follow them blindly and unquestioningly.

The center of union mining is the great "central competitive field" of Western Pennsylvania, Ohio, Indiana and Illinois, the fields which produce perhaps 45 per cent of the country's bituminous coal. John Lewis, the President of the United Mine Workers, has his headquarters in Indianapolis, and from there controls the 29 districts which cover most of the United States and part of Canada.

Take a chart of bituminous coal production of Illinois going back to 1910 and running well into 1921. It's as ragged a line as can be imagined, leaping in one month to between 9,000,000 and 10,000,000 tons and dropping sometimes to zero. Its most even stretch was the period of the war when it ran quite steadily from 7,000,000 to 8,000,000 tons. Each even year—1910, '12, '14, and '16—of this chart shows one marked feature: a shoot-up in March followed by a deep drop in April. In 1912 the line of production shot down from 8,000,000 tons to nothing, in 1916 from 7,250,000 tons to less than 3,000,000. There is one break in the two-year cycle. That came with the strike of late 1919 when a rush of business in fear of strike shot the Illinois monthly production to 9,500,000 tons, only to have it fall to hardly a quarter of a million.

This spring comes the wage agreement renewal. What will the miners ask? What will the operators give? Will there be a strike? No one will answer these questions for you, but no one will say "no" to the last one.

The operators look for the miners to ask not merely a continuation of the present scale, but an increase. When you look astonished at that prospect they tell you that the coal miners' politics is involved to an extent that the man outside the business cannot understand, that leadership hangs on success and that success is measured in terms of increases in pay, that a raise won one year may be known as "Blank's increase" and force his rival or his successor to get out and strive for "Jones's increase" whatever the justification.

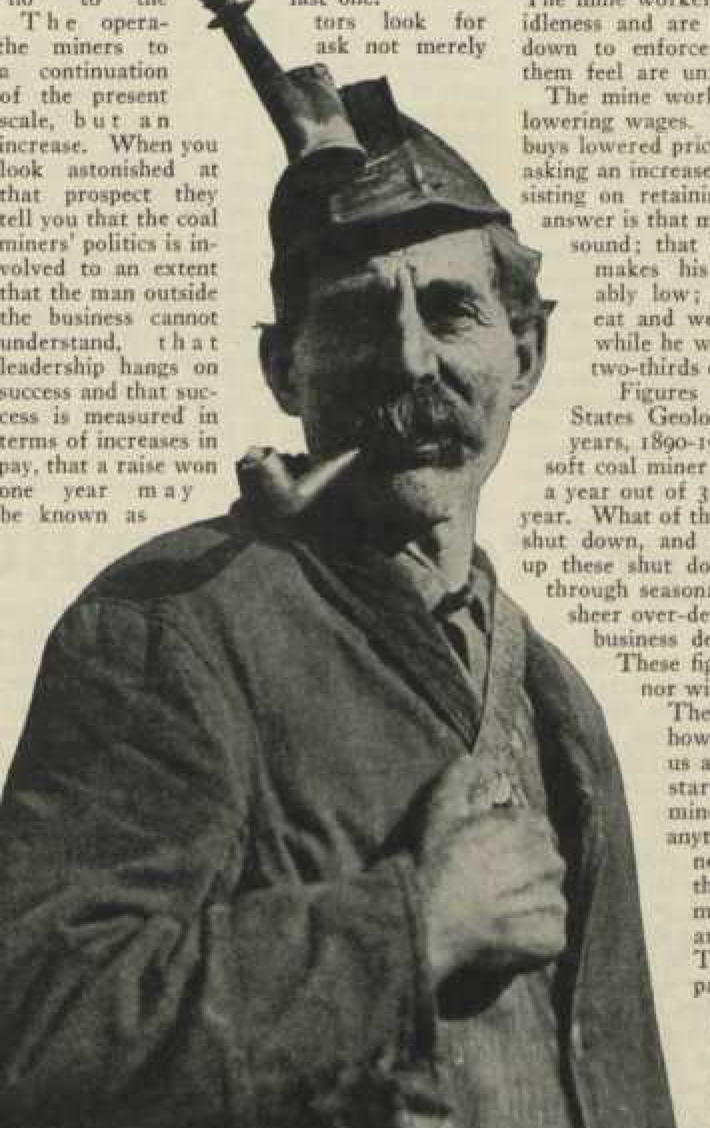


Photo by Lewis W. Hine.

Here he is—the man who digs your coal. His wage agreements expire this spring, and another chasm may appear in the erratic line that charts our coal production

The suggestion that we may have trouble over our coal supply before spring was based on the pending litigation over the "check off" by which the employing coal companies in union districts hold out from the pay of their men the dues and assessments of the United Mine Workers. Judge Anderson in the Federal District Court for Indiana enjoined the check off at the request of a West Virginia operator who said that the defendant operators in the Central field were collecting the funds to arm mine workers that they might "murder and assassinate the non-union workers employed at the complainant's mine." The injunction was suspended and the fate of the check off hangs on the Circuit Court.

The belief is growing that any strike on this issue will be neither complete nor long continued. But what of next spring and the wage scale? Here again new factors constantly come in. Business depression and mild weather are playing and may play a great part in preventing an April strike. The mine workers are affected by periods of idleness and are less willing to face a shut down to enforce demands which many of them feel are unreasonable.

The mine worker sees in other industries lowering wages. He sees in many things he buys lowered prices. What is his ground for asking an increased wage scale or even for insisting on retaining what he has got? His answer is that mine wages are not what they sound; that irregularity of employment makes his year's earning unreasonably low; that his wife and children eat and wear clothes 365 days a year while he works only a little more than two-thirds of the possible working time.

Figures compiled by the United States Geological Survey for the thirty years, 1890-1919, inclusive, show that the soft coal miner averages to work 215 days a year out of 308 taken to represent a full year. What of that other 93? They are days shut down, and the same authority divides up these shut down days as follows: Idle through seasonal demand, 44; idle through sheer over-development, 34; idle through business depression, 15.

These figures will not suit everyone nor will everyone agree with them. They're something to consider, however, and they seem to bring us around the circle to where we started. Can the coal industry, miner, operator or buyer, do anything to iron out this unevenness? Is it an inevitable thing that coal should flow to market so unevenly? There are answers to this question. The anthracite industry has partly solved it, but there the problem is vastly different. Couldn't coal be stored in vastly greater amounts than it is? Is cooperative or community buying a way out? Is there a likelihood of better industrial relations that will lessen those amazing March and April deviations in the production curve? The NATION'S BUSINESS hopes in an early number to tell how these questions are being met in and out of the coal industry.

How Much Business Freedom?

By HUSTON THOMPSON

Of the Federal Trade Commission

AT A DINNER in Denver, recently, an artist startled me by saying that this was the best time in the world's history in which to live, for, said he, "the crust of society has been so broken up that men and ideas can emerge as never before and get a hearing."

One of the ideas that must emerge from the present yeasting is that freedom flourishes in proportion to a reasonable restraint. This will be a difficult lesson for America to learn, with all its resources, its energy and its youth and ambition. Unless America conquers herself, she cannot lead the world out of its present turmoil to a new and better state.

The question of a reasonable restraint is one that is pounding at the doors of Congress as never before in our history. After all, Congress is the barometer of the impulses of the American people, and if we will stop and study legislation that is thrown into its hoppers we can anticipate to some extent the direction of the American mind.

Let me try to view the situation as seen from the conning tower of the Federal Trade Commission.

Visualize, if you will, the ultimate consumer down in the market place. We have today approximately 340,000 corporations in this country engaged in industry, commerce and trade. Hundreds of thousands of distributors are shoving their goods in front of the consumer as never before. This consumer's grandparents bought in a market in which the consumer had very little opportunity for selection but a great opportunity for investigating and examining his selection before it was made. In those days they bought in bulk, and had the opportunity to taste and feel, or inspect the article of purchase.

It's Different Now

THE whole picture is now reversed. The lack of information of the present-day consumer is such that he stands there wholly confused. From every direction the necessaries of life are thrust at him, but the market has been so complicated and goods pass through so many hands in one complex process of distribution that he is unable, in so far as prices are concerned, to analyze or understand the reason for the difference between the cost of the article and the price he is required to pay for it. He is frequently at so great a distance from the place of production that he is unable to obtain information with regard to the cost. His horizon is so limited that the causes of shortage in an article, which generally produces runaway prices, are a closed book to him.

Add to this the fact that, at least in the food line, practically everything is wrapped up or encased in cartons whose contents he is unable to inspect until he has arrived at his home—and we have some idea of how helpless the householder of today is and how much assistance he must be given by the distributor.

To be sure, the modern system of selling goods made up in packages and wrappers marks a decided advance in our marketing machinery. It has many improvements over the old system. But, if taken advantage of to deceive the buyer, it calls forth criticism.

The shrinking purchasing power of a man's pocketbook, plus his inability to understand the situation, creates suspicion, and suspicion engenders an irritation which sometimes drives the ultimate consumer to extremes. Gradually this irritation becomes articulate and is evidenced by the initiation of legislation in Congress. It is not difficult to analyze and classify the group to which the consumer has joined himself in his desire for relief.

Three great economic policies are seeking to dominate the American market, and the question of selection is close at hand.

There are many intelligent men in the business world who would like to see the Government license business and who in the same breath are crying out for less government in business. Of course the licensing of business would mean a restriction on the part of business freedom, for a license could not be issued until an investigation had been made. Moreover, those seeking a license would have to conform to certain rules and regulations and would be subject to revocation of license. Does the business man of America desire such restrictions?

There is still another group which says: "Why stop at half-way regulation like licensing, which will ultimately lead to complete domination by the Government? Let us bridge the chasm at once and accept nationalization as the only way to escape the Scylla of size in government and the Charybdis of size and confusion in business." I imagine that the American business man shrinks at the thought of either one of these groups dominating in the Government.

There is, however, a way out of this dilemma, and the solution lies in the hands of the business men of this country.

If business would have freedom from Government intervention, then it must subject itself to a reasonable requirement, one that business men of other countries have met. It must yield up to some governmental authority, information as to costs, production and prices, and the Government in turn must tabulate and distribute this information, unidentified as to companies, to the general public and the ultimate consumer in such a way that the consumer's present confusion and suspicion will be dissolved, and consumers, producers and distributors will be brought together in better accord. This does not mean that trade secrets are to be revealed, nor individualism and personal initiative embarrassed.

Legislation to bring about this remedy is evidenced by numerous bills in Congress today. This legislation is meeting a certain opposition and, should it be defeated, the indications are that some business interests will have to face the question of nationalization.

I can understand why the business interests are hesitant about giving up such information. In a few instances they are fearful that their business will be revealed to competitors, although since the open-price association has sprung up and spread over this country, that reason in the case of a given number is to a great extent eliminated.

The other reason is one expressed in terms of fear that the ultimate consumer will not be willing that the distributor make a reasonable profit. This idea was brought to my attention in conversation with a number of investment bankers who are opposed to legislation which would require the giving information to a public official with regard to securities about to be put on sale. They gave this as an example: If after selling a security at 96 and taking two points as their commission, the security then dropped to 88 and was sold, the seller, when he learned of the size of the commission, would resent the broker's having made such a commission.

Business men with this viewpoint are so close to their business that perhaps in doubting a competitor they have carried the distrust to the consumer. As a matter of fact, it would be a rare exception that a consumer would object to a reasonable profit on the part of the distributor for, after all, many consumers are in the distributing business, and for selfish purposes, if for no other, would not want to deprive anyone of a reasonable profit. Consumers are like lawyers in this respect. They will, if permitted, select the best man for a judge regardless of their friendship or personal bias. In all my experience on the Federal Trade Commission, I have never yet found a consumer who objected to the taking of a reasonable profit on the part of the seller.

Statistics of Necessities

THIS proposal that those controlling the essential necessaries of life, such as lumber, steel, coal textiles, etc., should give the Government the information necessary to acquaint the public with conditions so that the public can deal on an equal basis with those in the industry, meets in part with the opposition of some of the open-price associations.

We should distinguish, of course, between the association which is created for the purpose of advancing the better interests of an industry and for bringing the members of the industry into social touch with each other, and the open-price association which may be created for the purpose of exchanging information regarding prices and production with the intent to control prices. This latter type of organization will insist that it already collects the information much as the Government would desire in order to inform the consumer. So far as I am aware, no one of these associations has the machinery nor the money with which it could distribute the information to the public at large, if the information were correct.

It can pass the information to its own individual members, who are in a compact organization, but that would not be comparable to informing millions of consumers.

Moreover, it is a rare thing that an industry actually knows facts which affect that industry but which are external to it, and which should be known by the consumer in order that he may have an intelligent understanding of the market. For example, last year, when the question of the effect of the importation of wheat from Canada was agitating the farmers of this country, the Federal Trade Commission sought the best authorities in the trade as to the amount of

wheat being imported each month from Canada, and the best approximate figure that could be obtained was about 2,500,000 bushels. The commission requested the assistance of the Treasury Department, and within twenty-four hours had answers from all the customhouses on the Canadian border showing an importation running from 8,000,000 to 10,000,000 bushels a month. This information was immediately given out, and though the amount was greater than farmers or grain merchants had suspected, confidence in the accuracy of the information had an immediate and quieting effect.

The associations referred to do not give a detailed explanation of the reasons for the spread between the producer and the ultimate consumer. The general reason for this is that the retailer is frequently separated from the wholesaler or the broker. So it is that size and intricacy of business has come face to face with size in population, and the only alternative to licensing or nationalization is information.

Let us suppose, then, that a government laboratory is set up for the collection, analysis and distribution of information, and each month the Government is distributing the information as to cost, production and price concerning the essential necessaries of life through its wireless system, its post-office and other official machinery and the press to the ultimate consumer.

What will be the state of mind of the ultimate consumer? You may rest assured that he will be perfectly satisfied with the benefits of open competition. I say this with assurance because, from the beginning of that time in which markets first existed, the consumer has been satisfied with the benefits of free competition. But, you ask, what is open or free competition?

My reply is that it is the opposite of unfair competition and, if I were to criticize the Federal Trade Commission Act, I would say that it ought to have defined what was fair competition and stated that all competition which did not come within that definition was unfair.

For example, the consumer will be perfectly satisfied if he is getting the benefits of competition based on the price, quality of the article, service and, in most instances, also the advantages of location.

The benefits which would flow from publicity would be incalculable. Here is one instance: During the war all disputes between labor and capital or industries concerning which the Federal Trade Commission had been gathering and tabulating information, were settled on a basis arrived at from figures and data presented by the Federal Trade Commission.

Today we have a very admirable body which intervenes in the settlement of strikes, but invariably we find ourselves upon the threshold of a strike without any information in which both of the contesting parties have complete faith and upon which they could base a settlement. Again, such information as I have described would inform every individual in the industry as to the situation, so that he could avoid the pyramiding stages in overproduction leading to a collapsing market. He could make his output less seasonal, acting independently of his competitor and not in combination regarding the question of production. By using his own judgment with reliable information before him, he could reap the benefits of that judgment as against the careless competitor. Above all, it would eliminate much of the unrest which is abroad in this country.

Let me go a step further. If the American business world were to say to the other nations, "We propose to do business only along the lines of fair competition based on price, quality and service, and the advantages of location," and invite the rest of the world to adopt this business platform, I firmly believe this great step would largely eliminate the dangerous causes of war.

Just as the business of the world has become international, so the consumers of the world are beginning to call to each other through their governments. If you doubt this, skim the information from the clipping bureaus of the press of the world and study the legislation which is before the many parliaments.

Already there are organizations created and functioning in many countries similar to the Federal Trade Commission. Many other countries are considering legislation to create such bodies. These bodies are not being brought into existence by chance. They are in response to the demands of the consumer and the better business interests.

The several nations of the world are being troubled by the same questions in trade. As you all are aware, the war produced a group of fly-by-night organizations that are doing business in other countries to the injury of our honorable business houses. Many protests are coming to the Federal Trade Commission to prevent the injury which these pirates do to our nation's good name, as well as the reputation of our own industries.

Selling below sample, misbranding, false advertising, defrauding of all sorts by this class are seized upon by the competitors of other countries and are the cause for agitating and holding us up to criticism through the foreign press. Moreover, the business interests of other countries are suffering from the same situation and are crying out to their governments in protest and asking for protection against their fly-by-night organizations.

The movement is general throughout the nations of the world to suppress those who injure the good name of their honorable merchants.

All signs indicate that we shall have to come together in some sort of an international trade commission to establish fair competition and eliminate unfair competition, just as had already been done with regard to the international protection of patent rights.

The Dollar Side of Safety

By CHARLES R. HOOK

Vice-President and General Manager, American Rolling Mill Co.

IS A BILLION DOLLARS worth saving? Leaving aside considerations of humanity in industrial accident prevention, let us look at the authenticated fact that, in the United States, industrial accidents cause a direct economic loss of more than one billion dollars each year, and besides this, and just as important, an indirect loss through decreased efficiency and production of several billions more.

Twenty-three thousand men are killed in industrial accidents in the United States annually; more than half a million are so seriously injured as to cause four weeks or more disability; about 3,000,000 are injured to an extent causing at least one day's disability.

What the safety movement is doing and can do to reduce this human wastage was told in the September number of THE NATION'S BUSINESS. But the humanitarian aspect of the safety movement is only a part of the story—accident prevention has besides an immense economic significance. Safety work, as well as saving thousands of lives and preventing hundreds of thousands of injuries, can save at least 75 per cent of these yearly losses of billions of dollars due to accidents. Looked at solely from the standpoint of good business economics, accident prevention is of tremendous importance.

Not so many years ago accidents were "all in the day's work." Employers, executives, foremen and workmen alike took this attitude. Men took pride in their scars and boasted of narrow escapes. In shop, mill, factory and shipyard the man who was not willing to take a chance was looked upon as a coward.

But there came a day when the "all in the day's work" attitude toward accidents came under the cold, calculating scrutiny of a few men—business executives and engineers—who saw a big opportunity not only to save human life but at the same time to wipe out an enormous economic loss. They analyzed the situation and found that, when accidents were considered an unavoidable part of the day's work, a full day's work was never done. They found also that 75 per cent of the accidents could be prevented, and that often as an incidental result efficiency was increased from 10 to 100 per cent. And so for both economic and humanitarian reasons the old attitude toward accidents was discarded and a new era of safety and efficiency dawned in thousands of progressive industrial organizations, large and small. Today the prevention of accidents has become a most important and an inherent part of the day's work in the modern industrial plant. The day's work now means a day's *work*.

Any employer or person in an executive position whose company has had to pay compensation or damages to injured workmen will easily realize the heavy, direct monetary cost of accidents. But there are thousands of executives who have as yet failed to see the deepest and most serious economic significance of the accident problem—the indirect loss of efficiency.

The greatest economic significance of accidents lies in the fact that every accident is a red flag indicating an inefficiency somewhere. When an accident occurs it means not only the direct loss occasioned by that accident, but it points out the fact that there has been a constant leakage of efficiency, a steady loss of time and money.

Take an actual case where a plant was manufacturing canteens for the War Depart-

Photo by Lewis W. Hine

It was once the custom to refer to workers as "hands," perhaps for the reason that before the age of power, "hands" were about all a man needed on his job. With high-speed machinery doing more and more work, the brain behind the hand and arm becomes of greater importance. And skilled workers, crippled through accidents, are harder to replace

ment. Each half of these canteens was being made on a stamping press. Several operators had lost one or more fingers at this work. A state inspector, upon investigating, found that these accidents occurred when the operator reached in to free a piece which had stuck in the die. As a remedy he suggested a foot-operated kick-out. Because of the war-time pressure for speed the representative of the War Department protested this change on the ground that the canteens were urgently needed and their production must not be interrupted. Finally, however, the press was shut down and the kick-out installed. Much to the surprise of everyone, within a couple of days the output of canteens had caught up with the production schedule and thereafter the daily production was approximately doubled.

Again, take the case of a large metal bed manufacturing company which had had a bad accident record in its punch press department. The safety engineer found that the accidents occurred because the operators had to put their hands under the die in placing and removing material. To remedy this he installed a variety of semiautomatic feeds, most of them simple, home-made affairs, through which the operator fed the material into a trough instead of placing it directly in the press. Not only did these changes bring about a practical elimination of serious accidents, but they also brought an increase in production ranging from 10 to more than 100 per cent.

What made possible these large increases in output? The fact that safety and efficiency are synonymous is the answer. You cannot have a truly efficient process until you have a safe process. The accidents in these cases had occurred because the operator placed his hands in the press, either in the normal operation of placing or removing material, or in the supposedly exceptional instances where the material stuck and had to be pried loose. In a very small fraction of these cases something went wrong and the operator injured his hand; but *every* time the operator put his hand into the press, time was lost—sometimes a fraction of a second, sometimes more. When the operation was changed so that the man had no need to put his hand into the press these time losses were saved. In other words, previous to the safeguarding of the machines they were being operated with a loss in efficiency of from 10 to 50 per cent. Small wonder that production practically doubled when they were made safe and efficient.

Another factor in the increase in production was the elimination of fear or nervousness. A worker who knows that a false move may cost him a finger is likely to be slow in his movements.

As another example consider a truckload of material being pushed through a shop by a workman. A piece of material falls off the truck and injures the workman's foot. We call this an accident and know it results in an economic loss. But there are many other times when a piece falls off the truck but does not happen to fall on the workman's foot. Every time this happens there is more or less damage; there is a loss of time while the workman stops to pick up the material; other truckers behind him are forced to wait; the machine operator who is going to use the material is also delayed. If this happens five times a day on each of 100 trucks used in the plant, the total loss of time and total breakage is large enough to require very respectful consideration. In only one of these 500 cases, perhaps, does the box fall on a man's foot and injure him. But besides the loss due to this injury there is the loss occasioned by the 500 inefficiencies.

The foreman or safety inspector who investigates the occasional personal injury may find that it was caused by a hole in the floor, by too restricted a passageway, by poor lighting, by an improperly designed truck, or any of several causes. When this defect is remedied it saves not only the occasional injury but the much more frequent loss of time; it removes a condition of inefficiency which in the aggregate was even more costly than the injury.

One of the definitions of an accident found in the dictionary is "anything occurring unexpectedly." In this broad sense the material sticking in the punch press, the object falling off the truck, a belt breaking, a railroad train running off the track—all are accidents whether anyone happens to be injured or not. On the other hand, the spirit and aim of all large-scale production is to determine the "one

best way" of doing things, and always to do each thing in that one way. Obviously these two ideas are directly opposed. All accidents in the broad sense—all things coming unexpectedly—are foes to efficiency whether anyone happens to be injured or not.

Efficiency is conversely a foe to accidents. In a perfectly efficient plant nothing could ever happen unexpectedly, and there could be no accidental injuries. The fact is, however, that few, if any, plants are perfectly efficient. The two punch press departments mentioned above were in factories whose general management and whose profits were well above the average, and in which particular attention had been given to increasing production efficiency. Nevertheless the constant loss of time due to the lack of a kick-out in the one case and chute feeds in the other case passed unnoticed until attention was attracted by the injury of operators, and a remedy suggested.

The Value of Safety

IT IS impossible even to estimate the money which has been saved or may be saved by increasing production through accident prevention work. First there is the pure money saving. The National Safety Council has on file records of companies which have succeeded in reducing costs by $10,000 to $1,000,000 a year and more.

The best measure of accident cost in an industrial concern is the "severity rate" or number of days lost per thousand hours worked, using for fatalities and permanent disabilities the equivalents agreed upon by the statisticians of the Federal and state labor departments and industrial commissions. (The equivalent for death or permanent total disability is 6,000 days lost based on a twenty-year expectancy of working life for the average workman accidentally killed or injured. Smaller equivalents are used for the loss of an arm, hand, finger, etc., graded according to the seriousness of the injury in its effect upon the labor value of the average workman.) This is a more exact figure than compensation cost because the latter varies with the changing rates of wages and changes in compensation laws. The following table shows the records of a few of the most successful companies among the members of the National Safety Council:

Company	Per cent reductions, accident severity rate (days lost per 1,000 hours worked)	Two years compared	Average number employees
Raritan Copper Works	81	1912—1920	900
E. I. du Pont de Nemours & Co.	77	1910—1919	17,000
T. H. Symington Co.	87	1919—1920	500
Federal Rubber Co.	62	1918—1920	1,700
Bethlehem Steel Co. (Bethlehem plant)	65	1919—1920	13,000
Halcomb Steel Co.	77	1916—1918	1,400
Four Wheel Drive Auto Co.	83	1917—1918	1,300
Oliver Iron Mining Co.	73	1919—1920	2,400

These records are all the more remarkable when it is considered that in several cases—for example, the Bethlehem Steel Company—considerable progress had been made in accident prevention before the period covered by the table. If accurate records for the years preceding the inauguration of safety work were available, the total reduction would frequently be found to exceed 90 per cent.

The cost of carrying on successful safety campaigns is a very small fraction of the saving made through them. The United States Steel Corporation has stated that its safety work has yielded a net profit to the company of more than $1,000,000 per year. Similarly a coal mine employing about one hundred men reports a decrease of 68 per cent in accident cost per ton of coal, even when the cost of the safety department is included with the actual compensation and medical expense during the later period.

Such incomplete figures as are available show that in the aggregate the savings possible through organized safety work amount to several billions of dollars annually. In one year, as stated at the beginning of this article, there occur in all the industries of the United States about 23,000 fatal accidents; about 575,000 non-fatal accidents causing four weeks or more disability, and about 3,000,000 accidents in all causing at least one day's disability. These figures are from an estimate made by Frederick S. Crum, assistant statistician, Prudential Life Insurance Company, based on all available statistics. The time lost as a result of these accidents may be computed as follows:

	Days
Actual lost time in 2,977,000 non-fatal accidents	58,000,000
Loss of future earning power as result of complete or partial permanent disability resulting from 115,000 accidents included in above, equivalent to	96,000,000
Loss of earning power resulting from 23,000 fatal accidents, equivalent to	138,000,000
Total	292,000,000

If we may assume an average wage of $4 per calendar day ($28 per week), this lost time represents a wage loss of $1,168,000,000. From this we may subtract the actual cost of subsistence of the men killed, based upon a twenty-year average life expectancy of the workman, which may be placed at approximately 60 per cent of their wages, or about $331,000,000. This leaves a net economic loss to the country of about $837,000,000 for the year.

A part of this loss is borne by the employer in the form of payments under workmen's compensation laws, made either direct to the workman or in the form of insurance premiums. The remainder is borne by the workman himself and his dependents. In addition to the compensation actually paid to the workman the employer pays for medical and surgical aid and hospital bills, and also, except where he is self-insured, he bears the various administrative and overhead expenses of the insurance companies. In one state (Wisconsin) these costs other than compensation amounted to 86 per cent of the total actual and prospective wage loss. If this experience be taken as roughly typical we may say that the total direct costs of industrial accidents in the United States in one year, including medical aid and insurance overhead, are not less than $995,000,000, of which $342,000,000 is borne by employers and $653,000,000 by employes and their dependents. These approximate figures are still short of the mark because they do not include such items as medical expenses incurred by workmen, and not paid by the employer or insurance company; overhead cost of personal accident insurance carried by the workmen; cost of training new men to take the place of those injured; employment department and welfare department expense in keeping track of injured workmen and their families, etc. The addition of these items would bring the total well over a billion dollars per year.

Experience indicates and authorities agree that 75 per cent of this loss could be avoided. This would mean a saving of a quarter of a billion dollars yearly to employers, and a saving of half a billion dollars a year to employes, in the direct cost of accidents alone. Add to this the profits accruing from increased efficiency and production brought about by safety work and you begin to realize the economic value of organized accident prevention work.

Some Sales in Blue Sky

THE Rochester Chamber of Commerce recently hit upon an original plan for warning unwary investors against the glittering schemes of the fake stock salesman. Through its Investors' Protective Committee a contest was held to see what person in Rochester could write the best narrative of the manner in which he had been fleeced. They called it the "How I Was Stung" contest. Newspaper men acted as judges. The first prize was $25, the second $15, the third $10, and the fourth $5.

Of course none of our readers have ever made foolish investments like those described, but we are sure they will be interested in seeing how others have been victimized.

The Secretary of the Investors' Protective Committee makes a comment on the winner of the contest that adds considerably to the interest of her story:

"It developed later that the washerwoman who wrote the winning story had two sons in the great war who were both seriously wounded. She had invested $200 in Liberty Bonds while they were in service, and after she found that they were to be educated by the Government she was induced, by high-pressure salesmen, to invest in oil stock."

And here is the story that was awarded first prize:

Reading in the *Times-Union* last evening how you wished to hear from a few foolish investors, I will give you my experience in a few simple words as to how I parted with an even $100 which I had earned by the sweat of my brow over a wash-tub, as that is the way I earn my living, and being 64 years old it's a hard way to earn an honest dollar. So to make a long story short, I will tell of my big mistake, and I will say right here, I was so ignorant and innocent of the whole deal that my feelings almost unnerve now when I think it over.

A year ago last July, 1920, a sleek, smooth-talking agent came to my house and began to talk oil to me, and he said my money would be giving me big dividends just as soon as the wells were operating and that I need never wash any more for my living. I felt so good about it, the poor fool that I was, but I considered he must know about such things or he could surely not go about selling to everyone as he claimed to do. He told nothing but the good side, and there was no such a thing as failure. The oil was there, and we were to benefit by it. Well, the last I have heard is they cannot go on with the drilling until the investors come forward with another 20 per cent cash payment on their investment, or otherwise it's a foregone conclusion of the whole matter. It is simply awful why such things should be, but Satan has control of everything of that nature, and he knows why. I was told how riches lay under the ground and all they had to do was to dig for it, but I realize now, mine is above ground; when my day's work is done and the money in my hand, I know I have earned my dividend.

I am very glad to add my testimony with a

lot of others you may receive, and here's hoping we may get some of our money back, if not all.

Several of the hard-luck tales have to do with oil and gas stocks. One man was induced to invest in a Mississippi oil company by a friend who had gone to work for the concern. Through the Investors' Protective Committee he finally learned the truth about the fake stock and further, "that there had never been a barrel of oil found in Mississippi," and that the company from which the "securities" were bought could not even be located. A refinement of the usual oil game was discovered by an investor in another shady oil and gas venture. After he had become convinced that he was not going to be rich from his purchase he wanted his money back:

The only thing I had was a receipt for $50 signed by one of the promoters. I wrote him asking for the return of my money and after writing several times received a letter saying he would send it on, less expense, which was $10. He also asked me to send receipt which I did without thinking, and after one year or more of waiting for the $40 I figure I was stung.

"A clergyman of Rochester," says another sorrowful contestant, "is the agent who told me of the wonderful profits to be made in purchasing stock of the —— Company." This concern professed to be putting out a powerful motion picture. It was called the "Power of the Mormons" and was to have nine thrills to the foot. Postoffice inspectors stepped in, and as a result one of the officials of the concern had to sit for a "still" as an introduction to a three-year term in the penitentiary. Here is part of another tale by a second investor in this same enterprise. Can you picture the salesman as he puts in the Wallingfordian touches?

This very talkative gentleman proceeded to tell me of the enormous profits to be made and the great quantity of theatrical properties already purchased in the way of emigrant wagons, costumes for cowboys, Indians, etc., world without end. This great and wonderful photoplay was to be exhibited in all the principal cities of the world.

Beg, borrow, steal—anyway to get the money to buy stock; it will make you rich. Look at the enormous receipts from such photoplays as "The Birth of a Nation," "The Miracle Man." Of course I believed all this gaudy story, and as I have since learned, so have also a good many others in this city, so I invested my money and waited for my great profits to materialize.

Anyone tempted to bite at a similar bait will please take notice of what actually happened. Within a month from the time I bought that stock, in came a gentleman who introduced himself as a postoffice inspector from Cleveland, Ohio, who wanted to know if I had bought any stock.

He stated that Mr. ——, of the company, had been arrested for fraudulent use of mails, and also the books and accounts of the Cleveland office had been seized by the postal authorities.

The villain still pursued him! Yesterday papers announced the sentencing of Mr. —— to three years imprisonment. My stock is for sale cheap. They are handsome certificates and would make a lovely border to paper your bedroom. I would suggest that it be put on to a groundwork of a good-sized figure of donkeys as a motif.

The Farm and the Federal Reserve

By SILAS BENT

JEWELRY salesmen noted a falling off in the sale of diamonds, and then there was a cooling of the feverish demand for oriental rugs, and then—portentous omen!—the silk market, even the market for silk shirts, slumped. An economic earthquake which had shaken the commercial structure in the Far East, precipitating a panic in Japan, had traveled around the world, had visited France and Italy, and was making itself felt by premonitory rumbles in the United States. Topheavy prices began to totter.

This happened late in February of 1920. It couldn't have happened at a worse time for the farmer. He was caught by the cataclysm with his land plowed, possibly with his seed in the ground, and he had a whole year ahead of him. In such a crisis prices of raw materials fall first, and the decline works upward through the stages of production until finally it reaches the retailer, and so the consumer. The farmer, himself a consumer, was still buying implements and clothes and flour at high prices while his current crops and the carry-over from the preceding year had to be sold, if at all, at a ruinous figure. He could not produce a crop which would sell for cost until the cost of production had been reduced.

If the break had come in the fall instead of the spring, the farmer would not have been hard hit. The manufacturer would have suffered, but in the agricultural districts there would have been comparative calm—certainly not the outcry which has agitated the country, nor charges of favoritism on the part of the nation's banking system. The inevitable aftermath of expansion and extravagance happened at a season when it worked to the disadvantage of our largest producing class, and certain spokesmen for that class seemed to think it was prearranged by some conspiracy among financial powers, presumably among the men higher up in the Federal Reserve System

No Shortage in Misfortune

THE American Sugar Refining Company, with 30,000 stockholders and a steady dividend record for thirty years, found it advisable in the face of conditions in the sugar business to discontinue dividend disbursements. The balance sheet of the Central Leather Company for June 30 shows a profit and loss deficit of $6,040,896, which compares with a surplus on March 31, 1920, of $30,640,498, a shrinkage of assets in 15 months of $36,681,394.

"Instances like these indicate the havoc that the fall of prices has wrought among the industrial companies. The common stock of the former company has sold down from a high of 118¾ last year to under 60 last week and the common stock of the latter from 104¾ last year to 22¼.

"If the farmers, who think they are the only sufferers from falling prices, knew the facts about the losses of manufacturing and trading companies they would be less unhappy about their own. There has been misery enough to go all around."—*George E. Roberts.*

Let us see what was happening in the banks while the farmers were facing want and privation through the collapse of prices: A "country" bank, while the preparation of the soil and the planting of crops go forward, has upon its books hundreds of farmers who borrow money to buy seed and fertilizer and harrows and to pay for labor; and during the crop-moving period the sums mount higher. And if, at the end of the period, the farmer has not been able to sell his crop for as much as it cost him to make it, his bank must replenish its reserves by borrowing on its own account. For example, a good country bank in a western farming community gave out figures recently which illustrate the problem it had to meet:

	April 7, 1917	*April 19, 1920*	*Aug. 5, 1921*
Deposits	$657,970	$951,710	$499,140
Loans...	547,500	926,899	665,470

The loss of deposits from April, 1920, to August, 1921, resulted chiefly from the fall of prices for farm products. The community's income decreased more rapidly than its outgo. The bank therefore was compelled to curtail its loans, which fell nearly 30 per cent during the period mentioned. A still greater reduction would have been imperative had the bank relied solely upon its own resources. By borrowing from the Federal Reserve Bank it was able to relieve the pressure somewhat.

Depositors in country banks, in other words, compelled cuurtailment of credit, or "deflation," by drawing down their balances. The Federal Reserve Bank in that district did all it could to assuage the situation, and in turn borrowed from eastern banks. And these eastern banks in turn borrowed from the Federal Reserve Bank of New York of which Benjamin Strong is governor.

Mr. Strong has told the Joint Commission of Agricultural Inquiry, of which Representative Sydney Anderson is chairman, how the country bank meets such an emergency:

The bank goes ahead and makes the loans to meet the demand. It is a well-managed bank, and it wants to see its farmer customers make a crop. When it reaches the point where the reserve begins to go down below the point which the law requires—in other words, when the inflow of deposits and the repayment of loans is not sufficient to take care of these increasing demands—then it makes up a bundle of these farmers' notes and sends them to the reserve banks and gets a discount

Now, you will observe that this is *ex post facto*, so to speak; the loans have been made before the discounts at the reserve bank have been made. That is especially true in the city banks, and in the smaller country banks it may be that their borrowings at the reserve bank will anticipate a demand of that sort; but as a rule I should say that a member bank will not borrow to build up its reserve until it sees the actual impairment of the reserve taking place or about to take place. Obviously the member bank must borrow under those conditions, because if it does not the impairment of its reserve required by the statute will result in the imposition of a penalty, which penalty will be a greater rate than the discount rate of the reserve bank.

So in the distribution of credit by the Federal Reserve System to meet these demands—seasonal demands, war demands, or any other kind—what happens is that the reserve bank simply responds to a need. It cannot anticipate it. It cannot be set in motion in making credit for the relief of the situation except in response to this demand which originates with the member bank and results from a loaning condition which requires the employment of the reserve bank's credit in order to meet that demand.

I think that point is not very clear in the minds of the public. It sometimes seems as if the people felt that when credit was urgently needed in, say, the agricultural section of the country, the reserve bank could go out there and dispense it. It is helpless to do so.

The Reserve Bank, as Mr. Strong made clear, met the need for credit as expressed by the member banks in these circumstances of declining inventories, whether they represented crops on a farm or automobiles or stocks of any other kind. Those member banks which were trying to carry along their customers, industrial and agricultural, were assisted. And in time the ariculturaI demand was reflected in the New York Reserve Bank's portfolio.

Handling the Cotton Paper

MR. STRONG told of one of the large New York City National banks which is our largest handler of cotton paper—that is, paper issued against cotton in movement from the fields to consumption. In September, 1920, this bank reported that it would need twenty-five to thirty millions to finance the movement of cotton to European ports, but that if abnormal conditions arose it might need twice that amount. The bank was already one of the largest borrowers from the New York Federal Reserve Bank, and the size of its account at that time was the basis of complaint by spokesmen for the farmers, who charged that it was favored at the expense of smaller institutions; and yet its big requirement, as Mr. Strong showed, was to help the agriculturist—that is, to move a farm product.

The large borrowers in New York, in many instances, were larger borrowers because they were extending aid to correspondent country banks which were helping out the farmer and the planter. Liquidation on the New York stock market started about a year earlier than the liquidation throughout the country, and the effect of this actually was to release credit for agricultural, commercial and industrial relief.

The Federal Reserve Banks on April 30, 1919, had loans on agricultural and livestock paper aggregating $66,000,000. On April 30, 1920, they were carrying loans of this character of $106,000,000, and on April 30, 1921, they were carrying loans of this character in the amount of $240,000,000. But this great increase in fact represented only a fraction of the amount actually lent to the farmer. To arrive at an explanation, let us suppose that a bank belonging to the Federal Reserve System extended to a farmer a credit of $100,000. This amount became a deposit in the bank, subject to the farmer's check; and in view of this liability, assuming that the bank's reserves were low, it became necessary to strengthen them. But it was not necessary to borrow $100,000 from the reserve bank. The member bank would be required to borrow only 13 per cent, or $13,000. If it were a country bank it need borrow only $7,000, or 7 per cent. This is in accord with the reserve requirements laid down in the Federal Reserve Act.

So that $230,000,000 of farmers' paper in the reserve banks might well represent, on this basis alone, fully two billions of dollars lent to farmers.

And in Addition—

BUT in many cases loans to farmers were not represented even fractionally by agricultural paper. A country banker, needing accommodation, would use for rediscount the paper in his portfolio which made possible the lowest interest rate. If he had certificates of indebtedness, he used those. If not, he made use of Liberty or Victory bonds, which bore the next lowest rate of interest. If he had exhausted his supply of these, he might make use of commercial paper, which was next in rank. Not until as a last resort would he use farmers' paper, which, being a long-time accommodation, bore a higher rate. So that actually the two billions logically represented by the agricultural paper constituted only a part of the money lent to the farmers of the United States.

This is aside, too, from the credits extended to farmers through banks not members of the Federal Reserve System. The Federal Reserve Board made a rule that nonmember banks might obtain funds from member banks as a medium for certain loans. The resources of the reserve banks were thus by indirection placed in a measure at the disposal of non-member banks, which in turn aided the agricultural as well as the industrial and commercial communities.

For all communities were crying at that time for help. The price decline was general, and was inevitable, not subject to anyone's manipulation. But in the case of the farmer the distress was heightened by the fact that foreign markets were closed suddenly to his products; and in many cases it was supposed that these markets were closed because of inadequate credit facilities for financing the movement of products, or for financing purchasers abroad who wished to buy on credit. That theory made no allowance for the fluctuations of exchange as a deterrent to the international movement of goods.

Exchange shouldn't be compared to a thermometer. Mr. Strong says:

> Fluctuating foreign exchange is one of the effects of a condition which reacts upon the cause—that is, fluctuations in foreign exchange and their effect should be likened, I think, to the operation of a thermostat.

Exchange may be expected to correct itself, or to be corrected, in time; but there are certain inadequacies in the Federal Reserve System with regard to farmers' credit which Governor Strong clearly recognized and discussed at some length. The system was devised for the manufacture of credit against liquid or semiliquid commercial paper, not against long-time paper. The higher rate required on long credits is a kind of insurance against an upward trend of the money market; but the farmer, whose business is seasonal, and subject usually to an annual turnover instead of the rapid turnover found in manufacturing, regards this situation, however logical and sound in banking practice, as working an injustice to him. As things stand, the Federal Reserve System is far ahead of any similar foreign institution in liberality of credit. Commercial paper here is made the basis of note issues, but abroad only paper which represents goods actually in movement from the producer to the consumer is acceptable. Therefore to expand our basis of credit, already large, by adding to it a great volume of farming paper would be extremely unwise, in Governor Strong's opinion. Without any step so drastic, there is ample credit for the movement of the next crop. "We are dealing," he said, "with a situation that is peculiar, and if I may say it, not with the thought of criticism, but just from the human point of view, the situation has come to be a bit hysterical. In dealing with this crop, there is going to be plenty of credit. . . . And unless I am mistaken, the thing that would interfere with it to the detriment of the farmer would be to have the sentiment that there is not enough credit prevail up to the harvest and selling time."

What would have happened to the United States and to the farmers of the United States had the old banking system, readily subject to disastrous panics and suspension of specie payment, been in operation during the World War, is almost beyond imagination. It was the Federal Reserve System which enabled this country to weather the greatest financial storm in history, and Governor Strong brought home a realization of this when he said:

The Gold Was Always There

IT was the machine that financed the war. There never has been a day since the Federal reserve banks were opened until the present day when you could not take any piece of paper money in the United States, present it at the counter of those banks and get gold for it, and if it had not been for that . . . the difficulties that we have encountered in adjusting to this new period are trifling alongside of what we might have encountered in that one thing, namely, such a thing as suspension of specie payment in the United States, which has not happened. The only limitation that was imposed upon specie payment in the United States was the requirement under the trading with the enemy act that gave the President the right to license exports of gold to those which were regarded as to the best interests of the country in the prosecution of the war, and just as soon as it was possible, that limitation was voluntarily relinquished, although I believe it could be in operation today if the law was invoked.

We have been through the period of liquidation. We saw it coming. We have been through the period that has been just the reverse of a period of expansion. When you are expanding, prices are going up, profits are big, everybody is happy. There are no big business failures; nobody is to blame for anything, because nothing goes wrong.

Now the reverse has happened. Nature brought it on. Prices have declined; we have had losses, failure, distress, suffering; and in reviewing these complaints—I won't dignify them by calling them any more than complaints—about the Federal Reserve System, never overlook the major thing, what this system has done for the United States. It is a great thing, greater than anybody realizes who has not sat in the middle of it and studied it, and who knows what it is. It protected this country as no other thing has done during the war from disturbance and breakdown of the worst kind when the day of reckoning did come, as it has.

B. Jones and the Merchant Marine

By ALBERT D. LASKER

Chairman of the Shipping Board

IT LIES with the inlander to determine America's future on the seas. The points farthest from the ocean will decide the fate of American shipping. And it is at those points we find the greatest indifference, sometimes even prejudice, in connection with the proposal for a great and permanently established merchant marine. Unless the inland dweller realizes the advantages to him, in security and prosperity, of this project, it is foredoomed to failure.

The editor of The NATION'S BUSINESS has presented to me a list of questions taken from a mid-western publication which go to the very heart of the subject. They are:

Is there anything sacred in the doctrine of an American merchant marine, or any lack of patriotism in being opposed to such an institution as an economic extravagance?

Can an American merchant marine be maintained without what amounts to subsidy and taxation of the public?

Is John Smith, who knows and cares nothing about the shipping business, willing to be taxed, and ought he to be taxed, in order that Bill Jones' goods may be carried in American rather than *foreign* bottoms?

Does Bill Jones care, or ought he to care, whether his goods are carried in American or foreign bottoms?

If he ought to care, why ought he?

Should John Smith pay taxes so that Bill's care may be gratified?

If an American merchant marine cannot be maintained without taxation of the public—in other words, if it can only be maintained and operated at a loss—why not let the foreign ships have the business?

There is nothing sacred in the doctrine of an American merchant marine any more than there is anything sacred in the doctrine of a large navy, or anything sacred in the doctrine of a large army, or anything sacred in a Federal Reserve System as against the loose banking system we formerly had, or anything sacred in any one of a thousand questions relating to our national life. It is not a question of what is sacred, but of what is sound.

The claims for an American merchant marine must rest on its economic necessity to the American people as a whole. The claims for an American merchant marine can rest on the proof that John Smith, who knows and cares nothing about the shipping business but who ought to know and care a lot about it, should be willing, if necessary, to be taxed, and ought, if necessary, to be taxed, in order that Bill Jones's goods may be carried in American rather than foreign bottoms.

Only through national aid to private shipping can I see a market created for the Government's fleet, and government aid should come back to the Treasury many times over in increased sales prices we will get for our nationally owned ships. In some form or other all the successful maritime nations have won their power on the sea through government aid to private operation.

No mere miracle of American ingenuity can win in short time the volume of business and assured trade routes necessary for profitable operation. This requires years of continued and uninterrupted operation. The great empire of the United States never could have been conquered unless aid had been given American railroads in such measure as man never dreamed of aid being given enterprise. The states and the nation showered upon the railroads inestimable natural wealth to make their building possible and their operation possible while trade was being built up.

As important as the railroads were in the wresting of the empire, so now, in the cycle of events, transportation on the sea becomes a paramount issue of the day, unless American statesmanship is bankrupt and American vision blind.

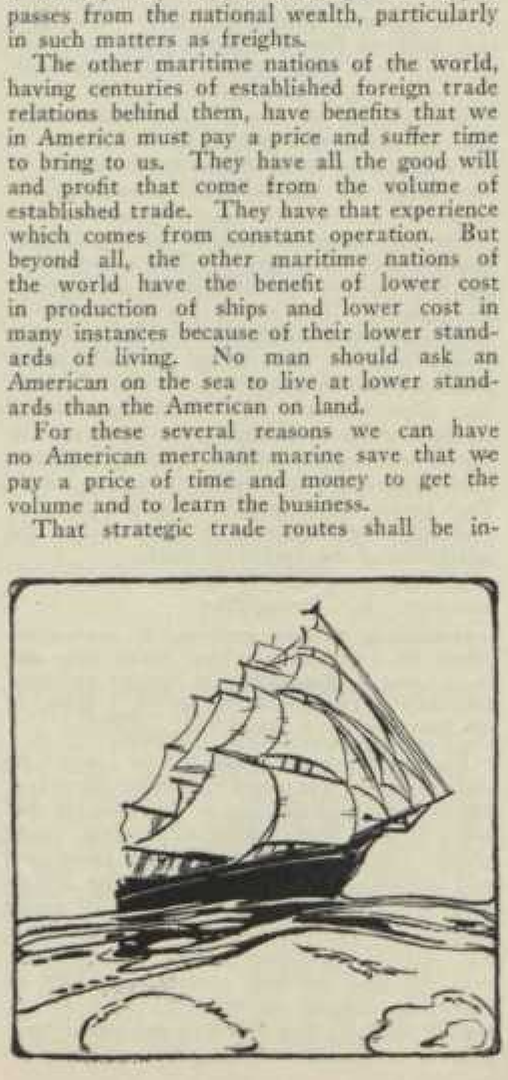
In the course of a decade America pays out some billions in ocean freights. These freights include only incidentally profit; the main thing which freights cover is cost of operation. This cost of operation includes, again in turn, the cost of the ship, the cost of subsistence, the cost of fuel and supplies, and the wages.

If John Smith, as an individual, pays out \$50 in Europe for something, John Smith is not \$50 poorer than if he had bought that same thing at home. But if a hundred and ten million John Smiths pay out billions in freights to foreign nations, the nation is those billions poorer than if it had retained the money at home, because the national wealth that is traded in around the circle domestically remains the property of the nation as a whole; but, once it is traded abroad, it passes from the national wealth, particularly in such matters as freights.

The other maritime nations of the world, having centuries of established foreign trade relations behind them, have benefits that we in America must pay a price and suffer time to bring to us. They have all the good will and profit that come from the volume of established trade. They have that experience which comes from constant operation. But beyond all, the other maritime nations of the world have the benefit of lower cost in production of ships and lower cost in many instances because of their lower standards of living. No man should ask an American on the sea to live at lower standards than the American on land.

For these several reasons we can have no American merchant marine save that we pay a price of time and money to get the volume and to learn the business.

That strategic trade routes shall be insured to America, the Shipping Board, under mandate of the Jones Act, through which it exists, operates its fleet at great cost to the Government and, under certain conditions, to the great injury of private capital, which cannot compete with the Government. In due course, national aid to private shipping should result in the Government's retirement from operation, so that ultimately no increased drain on the Treasury would be involved, and through profitable private operation permanency would be insured to our merchant marine, private initiative and enterprise would be inspired, and the Government would find customers for its large fleet of ships.



The Question of Naval Equality

THE conference on Limitation of Armaments now proceeding in Washington promises to bring a naval holiday in some form. Granting that the 5-5-3 naval program, or some equivalent, be adopted, the question of naval equality is not solved; because, if in addition to the equalized navies any one nation possesses a merchant marine of convertible strength vastly beyond that of another nation, the nation possessing that added convertible merchant tonnage has the preponderance of naval power.

When President Roosevelt sent our fleet around the world it had to be bunkered and provisioned by the British merchant marine.

Taking into consideration passenger ships and combined passenger and cargo ships of 8,000 tons and over, which represent the very cream of the merchant marine convertible for naval purposes, Great Britain possesses 234 ships of this type already completed, and the United States possesses 54 ships, a ratio of 4.3 to 1 in favor of Great Britain. Taking into consideration vessels now actually building in both countries of this type the ratio in favor of Great Britain will be increased 5 to 1.

When speed is considered, and speed is essential for naval purposes, the ratio is even more startling in favor of Great Britain; as of vessels of 22 knots and over she possesses 5, the United States possesses only 1, a ratio of 5 to 1; in all vessels of 12 knots and over, which is the minimum speed useful for naval operations, she possesses 234, and the United States possesses only 53, a ratio of 4.4 to 1 in favor of Great Britain.

There is no man who presumes that in our lifetime there will be war between ourselves and our British friends. It is for this happy reason that, without thought of war, the relative superiority of the British merchant marine overseas for convertible purposes may be used to illustrate the increased importance of a merchant marine to the national defense under the gloriously changed naval conditions into which we are entering.

We should remember that if we enter a ten-year naval holiday, which means practically little naval work for our shipyards, and if we fail to establish a merchant marine with its constant need of renewals and repairs, American shipyards will be largely closed and the art of shipbuilding will practically be lost to us. Should again the day come when, in the national defense, we must make use of our navy, we would be lacking

the yards and the trained workers to renew its strength; and the nations which during the holiday period had kept their yards alive with merchant-marine work would have an unmatchable advantage over us. But the proponents of an American merchant marine must rest their case far beyond the grounds of national defense.

So long as America had its own great empire to conquer, America could trade within its own confines, independent of the commerce of the world. It was during this period of our history, when the lure of unconquered opportunities called forth the adventuresome spirit of our young manhood, that America's merchant marine, fostered to proud proportions by our original thirteen seacoast states, began to decline and finally came to small proportions.

Even before the World War vast changes in our current life made us a largely increased importing nation. For instance, the automobile has, by common acceptance, passed the luxury stage and become a necessity in large measure, compared to its output. The automobile, to be potent, requires tires, and tires mean rubber. There is no rubber produced in the United States.

Because of the very prosperity of America from within, through the development of its natural wealth, the American people as a whole demand luxuries as do no other people of the world, until these very luxuries have become necessities in America's life. Some of these luxuries, such as coffee and sugar, are largely imported. And so, in the cycle of events, we perforce changed from being almost entirely an exporter of raw material to an importer of raw material.

With the war ended and the world sobering up from its madness, manufacturing America finds itself with a surplus of plant account which must find permanent markets in the world as well as at home if overhead expenses are to be met and profitable operation insured.

The farmer's direct and overwhelming interest in the overseas trade was proved not a great while ago in his pressure on Congress, which resulted in the passage of a bill over President Wilson's veto directing the resumption of the War Finance Corporation with authority to issue a billion dollars in credit for the purpose of aiding him in exporting agricultural and other products. Surely, with such a proved interest in export for his surplus in order that prices might be maintained, the farmer must become conscious that it is essential that America control the vehicles of export delivery that his needs may be surely met in times when other nations might not be able or would not be willing to furnish the necessary bottoms.

Here is where the absolute necessity of an established American merchant marine enters as one of the very cornerstones of our prosperity, for two reasons: First, because we cannot rely on others for the tonnage needed to carry our goods to markets we would conquer; and second, because we cannot afford, in the interest of national prosperity, to pay the freights to foreigners which should remain at home.

Our insular John Smiths, who know nothing and care nothing about the shipping business, should at least learn the obvious—that Bill Jones's goods are ~~their goods~~, that Bill Jones's prosperity is their prosperity, that Bill Jones's adversity is their adversity, and that unless Bill Jones has an assured foreign trade, which can only be insured through American bottoms, Bill Jones will fail to prosper and in his failure John Smith fails.

To Vote on Tariff Policies

Poll to be taken by the Chamber of Commerce of the United States

WHERE does American business stand on tariff principles? The Chamber of Commerce of the United States has just undertaken to find out, at least with respect to eight propositions which have been singled out by a committee on tariff principles after months of study. On seven of the propositions the committee made recommendations; the eighth is in the form of a question:

Do you favor postponement of general tariff revision until conditions in international trade and finance are sufficiently stabilized to form a basis for legislation possessing permanent value?

The report of the committee is, of course, in no sense the voice of the Chamber nor of the Board of Directors which authorizes the submission of the report to referendum. The Chamber's voice is that of its member organizations which alone can commit the National Chamber for or against any propositions. Until that voice is made unmistakable through ballots the Chamber itself will have no position upon any of the propositions.

The propositions on which a vote is asked deal both with general tariff principles and with methods of rate fixing. They declare in broad terms for reasonable protection with due regard to the maintenance of our foreign trade, and they would have tariff legislation framed with a view to meeting discrimination by other countries.

In matter of tariff practice the committee suggests a tariff adjustment board to administer rates within limits set by Congress, would continue anti-dumping legislation and would retain the present system of valuation for levying ad valorem duties.

Why a tariff adjustment board? What would be gained by it? Here's a case in point, perhaps:

A manufacturer of fabric gloves, an industry protected against foreign competition, had built up a large business in America. As world conditions changed he found that he could not at the moment compete with gloves brought from Germany. He could not get relief from Congress in time to be of service, and he was obliged to shut down his factory. A prompter method of adjustment might have given him relief.

These are the committee's recommendations:

Legislation permitting in the event of changes of economic factors adjustment of tariff rates by administrative authorities within limits prescribed by Congress for the purpose of maintaining a consistent tariff policy.

Creation of a Tariff Adjustment Board to administer adjustable rates.

In presenting the case for such a board the committee cited instances where "rapidly changing conditions have entirely nullified the measure of protection which Congress intended should be given." The specific duty of $2 a dozen pairs on leather gloves was 34 per cent of the value in 1914 and 14 per cent in 1920. The specific duty of 2½ cents a yard on floor matting meant an ad valorem of 32 per cent in 1914 and 8½ per cent in 1920. Sugar, plate glass, butter, and flax seed are other articles which illustrate the effect of rigid tariff rates in times of changing economic conditions.

President Harding in his message of December 6, in the sections on tariff legislation, expressed the hope that "a way will be found for flexibility and elasticity." Mr. Harding said:

"I know of no manner in which to effect this flexibility other than the extension of the powers of the Tariff Commission, so that it can adapt itself to a scientific and wholly just administration of the law.

"I am not unmindful of the constitutional difficulties. These can be met by giving authority to the Chief Executive, who could proclaim additional duties to meet conditions which the Congress may designate.

"The grant of authority to proclaim would necessarily bring the Tariff Commission into new and enlarged activities because no executive could discharge such a duty except on the information acquired and recommendations made by this commission. But the plan is feasible, and the proper functioning of the board would give us a better administration of a defined policy than ever can be made possible by tariff duties prescribed without flexibility."

The committee, in arguing for an adjustment board, goes beyond the proposal of the President and expresses the belief that the field of government commissions should be more clearly limited; that the commission with powers to make law should be distinct from the body which makes findings of fact. To this, the arguments in the negative which go with the committee report suggest that a multiplicity of commissions leads to more expense and more delay and that the body which is to decide the law is the very one to know what facts are needed. The point also is raised that tariff questions involve our relations with foreign countries, matters in which the President represents our Government.

On the question of delay, the arguments in the negative say:

"A single official of the Treasury Department proceeding in accordance with a set of regulations devised in advance would be in a better position than a quasi-judicial body to attain expedition."

The committee recommends that the anti-dumping legislation of May, 1921, should be maintained in principle.

"Dumping" of foreign goods is a form of unfair competition. It may be done, says the committee (1) to prevent a domestic industry from being established, (2) to drive out of the competitive field an industry already established, (3) the distribution of an export surplus for the purpose of realizing needed cash, (4) the sale of an export sur-

plus in order to sustain higher domestic prices in the market of export.

These are grave dangers. How genuine are they and what industries are apt to suffer? Here is a partial list of investigations of anti-dumping charges: Paper pulp from Germany, Scandinavia and Finland; carpets from Canada; barium from Germany; potash from Germany; thorium nitrate from Germany; cotton bed-spreads from Italy; books from England; wooden brush handles from Canada; sheet music and musical instruments from France and Germany; laces from Austria.

Dumping thorium and barium may not seem to have any particular meaning to you and me, but think of the barium in terms of paint, enamel ware, optical glass and peroxide of hydrogen and of thorium nitrate in terms of gas mantles, and they have as homely a sound as carpets and brush handles.

Recently the first order was issued under the present anti-dumping provisions of the Emergency Tariff Act. This had to do with cotton embroideries known as "Hamburgs" from Austria which were being imported and sold here at less than value.

American valuation—the levying of ad valorem duties at the American market price or value—is proposed by the pending tariff bill. This proposal, in which every American business man has a fixed and certain interest, has caused sharp controversy among business men. The committee on tariff policy which makes the report does not favor American valuation, although one member did not sign this recommendation:

That the present system of valuation for levy of ad valorem duties should be maintained. (Votes in opposition to this recommendation will be interpreted as in favor of American valuation.)

The committee recognizes six arguments in favor of American valuation which are that it:

(*a*) Eliminates the disadvantages of fluctuation in foreign currencies.

(*b*) Provides uniform treatment for the goods of all countries.

(*c*) Prevents undervaluation.

(*d*) Simplifies customs and administration.

(*e*) Will provide larger and steadier revenue.

(*f*) Will establish fair prices.

The committee in support of its recommendation sets up:

(*a*) That prices in articles internationally dealt in go up as foreign exchange value of a country's currency goes down.

(*b*) That this contention even if true is unimportant. "For staples there are likely to be world price levels resulting in practical uniformity of duties."

(*c*) Under-valuation under the present system is soon discovered, and the percentage of fraudulent undervaluation cases is not such as to indicate the need of a change.

(*d*) "In order to arrive at an American valuation . . . the work of investigation will be greatly increased and the staff and expense will be increased accordingly."

(*e*) There is a danger that American valuation will restrict imports by introducing an element of risk. Moreover, the new method would "materially increase the cost of customs administration."

(*f*) American valuation will, the committee holds, tend to fix prices, but not "fair prices." It would "inevitably mean higher prices."

Three sections of the referendum deal with broad general policies of tariff and, although not consecutive in the referendum, may be printed together:

The committee recommends that there should be a reasonable protection for American industries subject to destructive competition from abroad and of any benefit to any considerable section of the country.

The committee recommends that the principle of maintenance and encouragement of our export trade should be observed in tariff legislation so far as consistent with reasonable protection for American industries of benefit to any considerable section of the country and subject to destructive competition from abroad.

The committee recommends that legislation should be framed and administered with a view to meeting discriminations, direct or indirect, by other countries against American trade.

In putting forth the first recommendation the committee explains that in the public interest the Government should be expected to enact tariff legislation calculated to promote and protect American industries and to assure a good standard of living, although it disclaims any "thought of urging a Chinese-wall type of protection."

The arguments in the negative on the clause regarding the maintenance of export trade make this suggestion:

"It is naturally true that so far as we extend our foreign trade we should hope to do it by making the trade advantageous to others as well as to ourselves, but it does not necessarily follow that we should encourage imports in order that we may enlarge our exports. As a creditor nation, we can best obtain payment of interest and principal from debtor countries if they are prosperous. They may best be able to attain prosperity through sales of their goods in markets outside their borders and likewise outside the United States. It is not necessary to contemplate an opening of our markets to them to afford them an opportunity to pay us; it may be more to their interest that they develop new markets elsewhere, and pay us in gold by transferring investments to us."

In proposing that the Chamber of Commerce of the United States should put itself on record on tariff the committee was not unmindful of the difficulty in dealing with a matter in which personal advantage and political expediency play so large a part. This is the committee's statement of its reason which led it to propose the referendum:

"The committee is stating for itself and offering the opportunity to the business interests of the country to vote for or against the committee's recommendations on principles and practices in tariff revision which seem to the committee fundamental to the promotion of the interests of the public as a whole, to the reasonable safeguarding of our industrial and commercial development, and to the political and economic relation between this country and the balance of the world."

In a letter to the Chamber, discussing the referendum, Chairman Fordney of the Ways and Means Committee makes this comment:

"On September 11, the President of Switzerland delivered a lengthy address in defense of higher import duties. He stated that the new tariff had become an urgent necessity, that the authorities were convinced that the existence of moderate rates did not give the slightest protection due to the difference in production costs abroad and at home. Opponents to the Swiss tariff program have presented arguments from the standpoint of the consumer as distinguished from the producer, the same inconsistent argument with which we have to contend in the United States. President Schulthess' views on this point are well worth repeating.

"Addressing himself to the consumer and to the workman as well, he said:

'Do not forget that it is a great economic mistake to divide the people into producers and consumers. Everyone is a consumer but he can only spend the income which he obtains directly or indirectly from the result of production or some secondary activity dependent on it. If you annihilate production you will strike the income and the consumer who cooperates with it, destroying the sources which give him living, and he will have nothing more to spend. The maintenance of production is a vital interest for everybody and therefore the measures which favor it ought also to be understood and endorsed by everybody.'

"Further, President Schulthess said:

'The customs tariff is not a work of arbitrariness which owes its origin to personal ideas and fancies. It is the logical consequence of the present-day economic situation. It represents a solution which forces itself upon us, which was unavoidable. Other men than those who brought it forth would have reached the same result, after objectively weighing all circumstances, if they had been in responsible positions, even those who are leaders in the fight on the other side.'

"There are two propositions that are so self-evident that they should be recognized by all. First, American industries cannot thrive while a tariff policy is observed under which competitive products can be imported from abroad at far less than the American cost of production. Second, a healthy foreign trade cannot be built up on industrial inactivity in the United States. The history of commerce of other nations as well as the history of our own commercial success clearly indicate that any tariff program that does not recognize these two self-evident facts is certain of failure."

HERE is the make-up of the Committee on Tariff Principles of the United States Chamber of Commerce which submitted the report: Harry A. Wheeler, vice-president Union Trust Co., Chicago, Chairman.

Julius H. Barnes, wheat exporter, New York.

W. L. Clause, chairman of the board, Pittsburgh Plate Glass Co.

Thomas H. Eddy, Marshall Field and Co., Chicago.

Emory R. Johnson, dean, Wharton School of Finance, Philadelphia.

Van H. Manning, director of research, American Petroleum Co., New York.

Harvey J. Sconce, agriculturist, Sidell, Ill.

Alexander W. Smith, lawyer, Atlanta.

George Ed. Smith, president, Royal Typewriter Co., New York.

Horace M. Swetland, president, United Publishers Corp., New York.

Van A. Wallin, president Tanners Products Co., Chicago.

Frank C. Wright, transportation executive, Bangor, Maine.

The committee was unanimous except with respect to American valuation, which Mr. Clause favored.

The Tax Bill Made Clear

REDUCTION, amelioration, and adjustment of the taxation of a government that in the last year spent five and a half billion dollars is a real job. In the year before, the first complete government year after the armistice, the expenditures were six and a half billion dollars. In the current year the expenditures from the proceeds of taxes will come pretty close to four billion dollars, and in the year that begins next July, the year to which most of the financial consideration of Congress and the Treasury is now directed, it will be around three and a half billion. This figure is necessarily based upon legislation now on the statute books. If Congress goes in for new projects involving outlay of money, the figure will mount up accordingly. Neither does the estimated total contain any allowance for savings by reason of results of the Conference on Limitation of Armaments.

In these days, when struggling to regain control of the strings to the public purse and not yet seeing the future clearly, finance ministers of all governments stand aghast when new expenditures are so much as suggested. In 1919 the Secretary of our Treasury told the President:

"It becomes the clear duty of this department to point out that there appears to be grave danger that the extraordinary success of the Treasury in financing the stupendous war expenditures may lead to a riot of public expenditure after the war, the consequences of which could only be disastrous."

His successors have been no less emphatic. The present Secretary last April declared to a committee of Congress that "The nation cannot continue to spend at this shocking rate." The President at the same time asked of Congress "rigid resistance in appropriation," i.e., resistence to everyone who wanted more money from the public treasury. Upon the executive branch of the Government he urged "the utmost economy in administration," a purpose toward the accomplishment of which the Budget Bureau established under the law of June 10, 1921, has already made some genuine progress. According to an order issued by the President on November 8, the head of the Budget Bureau, in his calls for information about what officials are actually doing with money, "takes precedence over the Cabinet head of a department, or any head of an independent organization."

There has therefore been much paring done in the process of arriving at the three and a half billions of expenditures now estimated for the next governmental year. There has, to an extent, been a corresponding reduction in the figures for the taxes to be imposed. Looking only to the year ended with June, 1921, and the year ending with June, 1922, the Secretary of the Treasury in April foresaw expenditures of $5,602,000,000 and $4,565,000,000 as the respective totals. By the end of June, however, he was able to record an actual figure—$64,000,000 under the April estimate for 1921, and he and the Director of the Budget have now got the figure for the current year down by $573,000,000, or to $3,992,000,000. This total for the year to end with next June is in turn less by $480,000,000 than the total for the year with which Congress is now dealing in the new appropriation bills.

This stepping down of Federal expenditures in the fiscal years of 1922 and 1923 accounts in part for such features of the new revenue bill as the different dates at which various provisions take effect. The whole burden of these adjustments was placed upon the revenue bill; for no one has come forward to make official estimates of the amount of revenue to be expected from a revision of the tariff that is still prospective not only as to its date but also in its rates and in the volume of imports to which the rates will apply. Apparently figuring on the present tariff law, or assuming the new one will not substantially increase the revenue from taxation of imports, the Secretary of the Treasury estimates $275,000,000 for the fiscal year of 1922, ending with next June, and $330,000,000 for the fiscal year of 1923 as originating with tariff duties. These estimates leave $3,214,000,000 to come in the current year from internal taxes and $2,611,000,000 in the fiscal year of 1923. These are in fact the amounts the new revenue law is estimated to yield.

The Bill! It's Getting Less!

For the year ended June 30, 1921 . . $5,500,000,000
For the year ended June 30, 1922 . . $3,900,000,000
For the year ended June 30, 1923 . . $3,500,000,000

If these estimates prove accurate, the receipts under the old law and under the new from taxation of net income—i.e., both income tax and excess-profits tax—will stand at:

Year ended June 30 1919	$2,600,000,000
Year ended June 30, 1920	3,956,000,000
Year ended June 30, 1921	3,206,000,000
Year ended June 30, 1922	2,110,000,000
Year ended June 30, 1923	1,715,000,000

For the first three years this table shows actual collections, including taxes which were due for earlier periods. Moreover, the Government's fiscal year ended at the middle of the calendar year upon which income taxes are based and during which they are collected. Besides, the higher excess-profits rates were in effect for only one year, and when they were reduced the income tax for corporations also changed from 12 to 10 per cent and for individuals from 12 to 8 per cent. Allowance for these factors leaves clear the decreasing yield on account of business depression and substitution of deficits for net income in the case of some taxpayers. Last December the receipts from excess-profits tax for the year ending next June were estimated at $800,000,000. By spring this latter estimate was reduced to $450,000,000. It is now placed at $400,000,000, with no one very certain that it will not be considerably less. For the first year in which this tax applied, with its higher rates, the yield was $2,500,000,000.

The letter of the law now reads that the excess-profits tax is levied for the taxable year of 1921. This means, not that corporations will be done with the tax on December 31, 1921, but that they will have to find in 1922 the wherewithal to pay tax imposed for 1921. A real repeal at the end of the present year would have taken the statutory form of a repeal as of the beginning of the year.

Coincident with the cessation of the profits tax—that is, for the calendar year of 1922 and following years—corporations will pay 12½ per cent instead of the present 10 per cent upon their net income. This is estimated to add $140,000,000 to the $400,000,000 of taxes now collected as a corporate income tax. In other words, whereas corporations under the present law levying an income tax and a profits tax are expected to pay a total of $800,000,000 for 1921, they will be assessed a total of $540,000,000 for 1922, making payment of this amount in the calendar year of 1923.

The tax of 12½ per cent is not the only tax corporations will pay, for there is the capital-stock tax, reckoned at 2 per cent more by the Secretary of the Treasury on net income. The Secretary of the Treasury points out that the total levy of approximately 15 per cent on corporate net income means a very heavy burden upon the business of the country, the great bulk of which is conducted in the corporate form. He cites the case of an individual who receives income in dividends, and has to pay a surtax rate of 10 per cent, and will in fact have stood a tax of 25 per cent on the part of his income derived through corporations. On other income subject to the same surtax he will pay a total of 18 per cent.

The surtaxes on individuals' income came in for more discussion than any other feature of the tax bill. The House took the old schedule running from 1 to 65 per cent and discarded all of it over 32 per cent. The Senate constructed a new schedule beginning at $6,000, instead of $5,000, and graduated it from 1 to 50 per cent. The Senate's plan has become law, and its rates will apply on net income for 1922; for 1921 the rates of the old law are to be used. The results of the rates for 1922 in actual income tax that individuals with incomes of different sizes will pay appear in the following table. This table shows the whole income tax, both the part arising from the normal tax and the part coming from surtaxes.

In the parentheses are printed the percentages of the income the tax represents.

Income	*New Law*	*Old Law*
$4,000	$60 (1.5%)	*80 (2%)
6,000	160 (2.6)	170 (2.8)
10,000	520 (5.2)	590 (5.9)
20,000	1,900 (9.5)	1,990 (10)
40,000	5,840 (14.6)	6,290 (15)
60,000	11,940 (19)	12,590 (21)
100,000	30,140 (30)	31,190 (31)
200,000	86,340 (43)	93,190 (46)
500,000	260,640 (52)	302,190 (60)
1,000,000	500,640 (50)	663,190 (66)
5,000,000	2,820,140 (56)	3,563,100 (70)

So far as revenues are concerned, the new surtaxes are figured to produce within $60,000,000 of the old surtaxes. It is not the relatively small number of large incomes that produce great amounts of revenue, even with high surtaxes applied under conditions such that investments cannot be shifted into tax-free forms. It is the large number of smaller incomes that produce the bulk of the revenues. This becomes clear when it is noticed that the increased exemption of $500 for a married man with a small income and doubling of the amount allowed for

dependents—two provisions in the new law that are applicable to 1921 income—reduce the Government's income by $70,000,000. The Secretary of the Treasury, writing after the new law had been placed on the statute books, estimated that a reduction of the highest surtax to 25 per cent, with the reduction graduated through all the brackets, would decrease the revenues by only $130,000,000 a year. In peace times the Secretary would not have surtaxes go so high as 25 per cent, thinking 10 per cent more in the public interest. In protest against high rates under present conditions he says:

> The idea seems prevalent that in taxing large incomes only the person receiving the income, and who is to pay the tax, is really concerned. This is a mistake. For whatever the Government takes, in the way of tax, out of income, which would otherwise be saved and invested, and thereby become a part of the capital and of the wealth of the nation, affects not so much the individual from whom it is taken as it does the whole people of the country, in the direct loss of productive capital. So that in considering the effect of high taxes upon incomes, particularly on very large incomes, it is not so much a question of the effect on the individual who is called upon to pay the tax as it is the effect upon the whole community.
>
> The man receiving a large income may not himself suffer any hardship because a great part of it is seized and taken for taxes, but the effect upon the community—upon the people of the whole country—is serious indeed. After all, the wealth of the country, upon which all the activities and the prosperity of our people depends, is made up of the private property of the individual citizens—of all the people—and anything that unnecessarily takes away from this accumulated property necessarily injuriously affects the people as a whole.

The President seems to be like-minded with the Secretary. He not only in November wrote a letter urging lower surtaxes, but when he addressed Congress on December 6 he intimated he would later make recommendations about renewed consideration of the tax program, with a view to further reductions in the tax burden.

In dealing with income taxes Congress did not confine its attention exclusively to rates. It gave relief as a matter of principle in at least three directions. First in order in the text of the law is the provision about net losses. The Revenue Act of 1918 first allowed a taxpayer who, after paying tax in one year, had a deficit in the next year to have a readjustment with the Government, but as the law stood no adjustment could be made for a year after 1919. The legislative supposition was that the period of economic disturbance to follow the war would then be at an end. The new law permits adjustment on account of a net loss in any taxable period after the beginning of 1921. The method of adjustment is changed, too. Instead of producing a redetermination of tax for the earlier year, the net loss is to cause a credit to be taken into account in the following year, and in the second following year if necessary to give the loss its full effect.

Second in order comes the new treatment of capital gains, to begin with 1922. An individual, when disposing of any property held for two years or more as an investment and realizing gains, will pay a tax that, upon this "capital" gain, is not to exceed 12½ per cent.

The new law shows increased liberality also toward exchanges of property. Under the old law, property received in an exchange was to be treated as the equivalent of cash to the extent of its fair market value and, in the event of a corporate reorganization with securities received by a shareholder or a bondholder having a par value greater than the par of the old securities, there was taxable gain in the difference to the extent the market value of the new securities was greater than the cost of the old. An exchange of property of a like kind or use is now to be considered merely as a replacement, with no tax, and there is to be no tax in connection with exchanges of securities incident to corporate reorganizations.

Income derived abroad by American citizens and not remitted to the United States received some consideration, without practical results. An attempt was made to extend the principle of exemption even to income remitted to the United States, with refunds for taxes collected in earlier years on such income. This led to objections. The final result was that Americans resident and deriving income abroad and keeping it there remain subject to the American income tax. American citizens and domestic corporations, however, deriving income in Porto Rico and the Philippines, and leaving it there, are to be exempt on this income.

In other parts of our internal taxation, the new law makes the greatest reduction in transportation taxes. They cease at the end of the year, and mean something like $275,000,000. Only the taxes on telegraph and telephone messages will remain, yielding about $27,000,000 annually. In 1920 the sales taxes of various kinds produced $318,000,000. They have been reduced by approximately one-third; as they now stand, they are estimated to bring in around $187,000,000.

It's a Big Job

LAST spring Congress enacted a preliminary tariff law, calling it the Emergency Tariff. The Revenue Act of 1921, which was approved by the President on November 23, may turn out to be a preliminary revenue measure. It may be that the task of dealing with our whole scheme of federal taxation is too big to be completed in one attempt. However that may be, both the President and the Secretary of the Treasury have given fair notice that they are going to have something further to say on the subject of taxation.

Meanwhile, the Tax Simplification Board, authorized by the new law, is already at work devising ways to diminish the taxpayer's struggles with his income tax. The board says of its present activities and its procedure:

> The board is giving immediate consideration to matters relating to the regulations and forms needed for the administration of the new tax law and which must be in the hands of taxpayers as soon after January 1, 1922, as is practicable. The board wishes it understood that it will welcome suggestions from taxpayers relative to either the regulations or the forms and, in cooperation with the Treasury officials, the board will give careful consideration to such suggestions. In view of the shortness of the available time and to insure a representative character, those wishing to present suggestions can do so most helpfully by first associating themselves with others in their own industry with a view to determining upon recommendations that should be made on behalf of such industry. Communications may be addressed to the Tax Simplification Board at the Treasury Department.

Your National Balance Sheet

By JOHN BURNAM

AN IMMENSE interlocking machine, covering the entire United States, is revealed in the report of Brigadier General Charles G. Dawes as Director of the Bureau of the Budget. Through this machine he expects to bring the forty-one spending bureaus of the United States into one harness, to make them pull together and thus correct the wasteful defects of the old system. Already, through its operation, enormous savings have been effected.

The American public now has before it, for the first time in its history, a true and comprehensible balance sheet of the Government's fiscal situation. "I venture the prediction," said Walter W. Warwick, then Comptroller of the Treasury, in this magazine last May, "that after the adoption of a budget system the annual budget message submitted by the President to Congress will be the most widely distributed and interesting document the Government publishes." He based that forecast on European precedent, where Cabinets have been known to fall when the public disapproved strongly of budget arrangements.

The report submitted by Director Dawes with the President's message is based on business principles. In corporation statements, to be sure, the statement of receipts or assets precedes the table of expenditures. The new budget reverses this order, which may be explained by saying that a corporation determines its outgo after it knows what its income will be, while the Government first finds what it must spend and then through the Board of Directors (Congress) assesses the stockholders, the public, for whatever amount may be needed for current expenses.

Acting under executive orders from President Harding, who has now become an active instead of a dummy head of the governmental business organization, Director Dawes built up a business system not in general use in the United States, where concentration is more often employed than coordination. The budget system is like the system used in the American Expeditionary Force, and it is the system in use by the American Brass Company and several other large private industries which own widely scattered units.

In the new machine there are nine main parts. Col. Henry C. Smither is chief coordinator and chairman of the Federal Purchasing Board, which is intended to prevent competition, for one thing, between different government departments in the open market.

In the past they have been known to bid against one another and thus increase the cost both of labor and materials. Washington grew aweary of coordination during the World War and has never learned to relish either the word or the process since; but in all probability it will explore new fields under the budget system.

On the Federal Purchasing Board there is a purchasing agent from each spending department and establishment. If one department wants woolen mittens, let us say, they are not purchased outside if another department has them on hand, so to speak, but to spare. If two departments happen to need them and there are none in stock the two purchases are made as one to save money by a quantity transaction.

Cases were known, under the old system, in which goods were sold at public auction by one government department, purchased by an outsider and then resold at large profit to another government department. To meet this and similar cases there is a Federal Liquidation (Sales) Board, which is disposing of the large surplus stocks on hand. When the board was formed certain departments were in the market for large amounts of material already on hand in other departments, and their transfer was a matter of bookkeeping, not of spending money. Colonel Smither also presides over the activities of this board.

Government stocks are so scattered that the central boards at Washington could not effectively direct either the sales or purchases without having a man on the spot; and so the principles effective in these two boards were applied to the entire country by the organization of a staff with the imposing name of Corps Area Coordinators. The areas in which these men operate correspond to the nine army corps areas, and these men are responsible to Colonel Smithers and through him to the President, not to the heads of government departments.

Having tied up purchases and sales to remedy a system under which in the past, so Director Dawes says in his report, the Government has lost hundreds of millions of dollars, the Budget Bureau turned its attention to real estate and rents. Uncle Sam is at once a great landlord and a great tenant. Not long ago a certain government department having quarters in a large city outside Washington made arrangements to rent additional space. The sum involved was large. Under the old system it would have been wasted. But the case was referred, under the new system, to the Surveyor General of Real Estate, another Budget Bureau unit, who found that there was ample space in the quarters occupied by a different government department in the same city. After satisfactory conference with the officials of both departments this item was erased from Uncle Sam's rent bill.

Another agency sees to it that motor trucks and automobiles are not purchased or rented by one department from outsiders if there are enough idle machines in another department to meet the emergency.

A larger activity falls to the Federal Traffic Board, which not only looks after the efficient routing of the Government's transportation but sees to it that government freight is properly classified. Uncle Sam spends about $200,000,000 a year with the railroads as a customer, but heretofore he has got little or no consideration, Director Dawes says, as acknowledgment of the size of his account. Raw materials were billed as finished products and paid a much higher rate of freight. It is the duty of the new department to see that goods are properly classified and properly routed, and to reduce the expense of the numerous traffic bureaus in the departments.

Uncle Sam feeds and houses half a million persons in the Veterans' Bureau, the office of the Surgeon General of Public Health, Surgeons General of the Army and Navy, Superintendent of Prisons, and the National Home for Disabled Volunteer Soldiers. Aside from pensions, a quarter of a million dollars has been spent annually for supplies, services, rentals and such items. A Federal Board of Hospitalization was formed to do for these departments what had already been done for the others, in sales and purchases and the use of motor vehicles.

There is, further, a Federal Specifications Board, to standardize the specifications for materials and services. An interdepartmental Board of Contracts and Adjustments is in process of formation.

All these boards are doing for government business what was impossible under the old system, which encouraged wasteful and slipshod methods.

What, so far, has been accomplished by this vast machinery?

Thirty days after Director Dawes arrived in Washington he announced a reduction of more than $112,000,000 on the expenditures of the fiscal year, 1922, then just beginning. This was from money already appropriated, and represented in part actual economies, in part deferments of expenditures to later periods. Within ten days a still further cut of about $235,000,000 was announced. In addition, the Treasury agreed to take care of $170,000,000 out of public debt receipts during the year. Other reductions amounted to more than sixty millions. Thus the aggregate reduction in expenditure for the fiscal year which ends next June 30 is expected to amount to nearly six hundred millions of dollars, although the money is already in hand by act of Congress.

As compared with the actual expenditures in the fiscal year of 1921, which ended with last June, the government expenditures for the present fiscal year involve a net reduction of more than a billion and a half.

"Budget Statement No. 1"

HERE is the balance sheet of your government. It shows exactly how much money was spent for running the government during the fiscal year which ended June 30, 1921.

Since we are in the middle of the fiscal year which ends June 30, 1922, it shows the amount estimated for running the government for that year. Savings already effected by General Dawes were taken into account in the "Estimated Expenditures, 1922," column.

The first column shows the estimated costs for the fiscal year beginning July 1, 1922. This is the amount that President Harding has this month asked the present session of Congress to authorize.

	Estimated 1923.	Estimated 1922.	Actual 1921.
Legislative	$16,265,215.00	$15,984,446.00	$18,994,565.17
Executive office	227,045.00	227,045.00	197,341.68
State Department	10,432,624.00	11,406,032.00	8,780,796.84
Treasury Department	168,997,160.00	169,871,163.00	476,352,192.21
War Department	369,902,107.00	389,091,406.00	1,101,615,013.32
Panama Canal	7,358,839.00	7,219,849.00	16,461,409.47
Navy Department	431,754,000.00	478,850,000.00	650,373,835.58
Interior Department	41,799,022.00	35,005,829.00	39,687,094.86
Indian Service	31,883,000.00	33,135,000.00	41,470,807.60
Pensions	252,330,000.00	258,400,000.00	260,611,416.13
Post Office Department	3,357,092.00	3,276,454.00	5,230,650.15
Deficiencies in revenues	21,309,666.00	48,172,270.00	130,128,458.02
Department of Agriculture	47,497,530.00	48,637,100.00	62,385,702.93
Expenditures for good roads	125,700,000.00	105,000,000.00	57,452,056.48
Department of Commerce	19,939,970.00	20,131,800.00	30,828,761.55
Department of Labor	6,301,835.00	4,796,916.00	8,502,509.55
Department of Justice and Judicial	18,415,681.00	16,825,568.00	17,206,418.03
Shipping Board and Fleet Corporation	50,495,735.00	73,911,081.00	130,723,268.26
Veterans' Bureau	455,232,702.00	438,122,400.00	....
Railroad Administration and transportation act	....	337,679,235.00	730,711,669.98
Education Board Vocational	3,529,244.00	4,756,344.00	104,671,772.62
Other independent offices, including War Finance and Grain Corporations	17,034,583.00	16,983,165.00	83,596,418.52
District of Columbia	25,070,877.00	22,275,063.00	22,558,264.16
Increase of compensation	....	35,000,000.00	....
Purchase of obligations of foreign Governments	....	....	73,896,697.44
Purchase of farm loan bonds	....	....	16,781,320.79
Deduct unclassified repayments, etc.	....	....	922,393.14
Ordinary expenditures	**2,127,053,927.00**	**2,574,758,166.00**	**4,088,295,848.20**
Reduction in principal of the public debt:			
Sinking fund	283,838,800.00	272,442,200.00	261,100,250.00
Purchase of Liberty bonds from foreign repayments	30,500,000.00	30,500,000.00	73,939,300.00
Redemption of bonds and notes from estate taxes	25,000,000.00	25,000,000.00	26,348,950.00
Redemption of securities from Federal Reserve bank franchise tax receipts	30,000,000.00	60,000,000.00	60,724,500.00
Total net reduction	**369,338,800.00**	**387,942,200.00**	**422,113,000.00**
Investments of trust funds:			
Government life insurance	26,162,000.00	22,022,000.00	20,325,152.88
Civil-service retirement, District of Columbia teachers' retirement	8,200,000.00	8,200,000.00	8,161,956.87
Trust fund investments	34,362,000.00	30,222,000.00	28,487,109.75
Interest on the public debt	975,000,000.00	975,000,000.00	999,144,731.35
Total expenditures	**3,506,754,727.00**	**3,967,922,366.00**	**5,538,040,689.30**
Ordinary receipts:			
1. Internal-revenue receipts:			
1. Income and profits tax	1,715,000,000.00	2,110,000,000.00	3,206,046,157.74
2. Miscellaneous	896,000,000.00	1,104,500,000.00	1,390,380,823.28
Total internal revenue receipts	2,611,000,000.00	3,214,500,000.00	4,596,426,981.02
2. Customs receipts	330,000,000.00	275,000,000.00	308,564,391.00
3. Miscellaneous receipts including Panama Canal and trust funds	397,182,750.00	453,953,663.00	719,941,588.89
Total ordinary receipts	**3,338,182,750.00**	**3,943,453,663.00**	**5,624,932,960.91**
Excess of ordinary receipts over expenditures payable	....	....	86,892,271.61
Excess of est'd expenditures payable from ordinary receipts over ordinary receipts	167,571,977.00	24,468,703.00	....
Balance in general fund at beginning of year	420,125,250.84	444,593,953.84	357,701,682.23
Balance in general fund at end of year	**252,553,273.84**	**420,125,250.84**	**444,593,953.84**

Railroad Profits Aren't Guaranteed

IN CERTAIN QUARTERS it is asserted that Uncle Sam is legally obligated to make good out of the public purse any railroad deficit. It is said that the Transportation Act, which empowers the Interstate Commerce Commission to fix rates in its judgment calculated to return adequate revenue to the railroads, *guarantees this adequate revenue*.

Of course, this statement is foolish and absurd.

If the rates fixed by the commission do not result in adequate revenue, the railroads lose the amount of the shortage. No matter how efficient and economical their management, it is they and not the United States which must make good the difference. Not one cent is payable from the United States Treasury.

The facts in this regard, which should be plain enough, may well be borne in mind during the impending attacks in Congress upon the rate-making clause of the Transportation Act. These attacks would be successful if either the Capper or the Nicholson Bill, or the La Follette amendments to the Railroad Funding Bill, were to become law. By the enactment of any one of these the paramountcy of national control over commerce between the states, always recognized by the Constitution of the United States, would be destroyed. By their enactment the Interstate Commerce Commission's patient study and wide experience would go for naught in rate-making, and we would see a return to those chaotic conditions which existed during the years when the commission's authority was contested by forty-eight state commissions.

At a time when there is imperative need in this country for railroad expansion, the railways themselves are depleted and require millions of dollars for proper equipment and maintenance. The need for expansion can only be met through the issue of securities. If there is not adequate revenue, where will there be a market for those securities? If there is no market the railroads as business enterprises face dilapidation and disaster. This would be a calamity affecting them no more than every shipper, every consumer, every American household.

Railroad Wages—and Others

HAVING issued its revised rules for the shop crafts, the Railroad Labor Board created a mild sensation by announcing that it was ready to take up the question of wages for this class of workers. Thus the board is prepared to pass on wage disputes before the two interested parties are ready to submit them. And the board cannot officially notice any question until asked to pass upon it.

It is quite likely that the board will not have long to wait. Already there are moves and countermoves, intimations and denials. The unions have demanded of the roads a 17 per cent increase—this in the face of falling wages and falling prices all over the country! Another weapon held up the sleeve of the unions is the well-known strike threat. A strike has been voted but has not yet been called.

Meanwhile the executives have not been sleeping. They have asked the Interstate Commerce Commission to substitute a 10 per cent reduction in freight rates on agricultural products for various proposed cuts on grain, livestock, etc. Such a reduction would help the farmers and have an encouraging effect on all business.

Also the executives want the Railway Labor Board to reduce shopmen's wages to a level of pay for similar work in places where the shops are located. Business men who do not have to compete with wages arbitrarily kept up can hardly appreciate what this means. Here is a comparison of labor costs made by a manufacturer in an Illinois city on November 21, 1921:

Job	*R. R. Rate*	*Factory Rate*
Blacksmith, General	77	60 to 64
Machinist	77	55 to 64
Toolmaker	77	60 to 65
Machine Operator	77	35 to 58
Lathe Hand	77	45 to 58
Planer	77	55 to 64
Driller	77	35 to 45
Machinist Helper	55	40 to 42½
Painters	77	45 to 55
Car Repairers	72	50 to 55
Carpenters	77	43 to 50
Labor	43	27½ to 30

Naturally the roads want to bring these rates down, and it is just as natural that other employers should desire the same thing. But to do this the roads must determine just what other employers are paying—and they are now taking vigorous steps to find out. They are busy gathering figures such as those in the above table, from every part of the country. These will be used as a basis for wage reduction requests before the Railroad Labor Board.

Remember that all this applies only to shop workers, who number about 400,000. The trainmen, of whom there are some 300,000, are an entirely different class and their rules and wages must be determined separately. The board is now working on a revision of their working rules and until these are determined it will not consider wage questions for this class of men.

More Light on the Sherman Act

THE SHERMAN ACT should attain to some new clarification as a result of cases the Department of Justice continues to initiate.

At the end of December proceedings begun in New York bring into question, not only the open-price competition plan, about which the Supreme Court may now on almost any Monday have something to say in deciding the hardwood case, but the "wage scales" in the hand-blown window-glass industry. The Government's allegation is that the organization of the glass-workers agreed with the manufacturers upon "wage scales," which in fact fixed the quantity of glass to be produced by each plant, the period of the year during which the plants were to operate, and the amount of glass to be made by each employe. It is averred that in pursuing this plan the members of the organization of glass-workers did not enter the employ of any manufacturer who did not sign the "wage scales"; that when a manufacturer had produced his quota the members of the labor organization were withdrawn from his plant, with penalties imposed by the union upon anyone who remained, and that when a plant had operated its allocated number of weeks workmen were similarly withdrawn. In all of this the Government sees a scheme to curtail the supply of window glass for the purpose of creating power to maintain arbitrarily excessive prices.

The Window-Glass case may lead to further judicial consideration of the Clayton Act, or rather of the parts of it which relate to labor organizations. Some of these provisions have been before the Supreme Court at least twice in 1921. Last January the Supreme Court said that the Clayton Act's prohibitions against injunctions did not prevent the courts from enjoining a secondary boycott organized against a manufacturer. On December 5 the court held that, notwithstanding the Clayton Act, it is the duty of the courts to limit the activities of strike-

when "their attempts at persuasion or communication with those whom they would enlist with them" appear in "methods which, however lawful in their announced purpose, inevitably lead to intimidation and obstruction."

The Window-Glass case, however, may bring forward another section of the Clayton Act. This section begins with a declaration that the labor of a human being is not a commodity; declares that nothing in the anti-trust laws is to be construed to forbid the existence and operation of labor organizations instituted for the purposes of mutual help, nor to restrain members from lawfully carrying out the legitimate objects of such organizations, and ends with a statement that such an organization is not to be held an illegal combination or conspiracy in restraint of trade. Moreover, there has for years been a "rider" upon the annual appropriation given by Congress to the Department of Justice for use in bringing proceedings under the anti-trust laws. The rider says that none of the money may be spent for prosecuting any individual for entering into any combination or agreement to increase wages, shorten hours, or better conditions of labor, or for any act done in pursuance of such an agreement, if the act is not in itself unlawful.

The Window-Glass case may lead to some new judicial interpretation of these provisions of law.

Burn Coal, Feed It, or Sell It?

TO TALK of burning corn for fuel shocks the moral sense. With half the world short of food, shall we shovel it into furnaces? Yet can we blame the farmer whose bins are full of corn, whose cellar is empty of coal, and whose pocketbook is empty of dollars? There comes a point where, dollar for dollar, heat unit for heat unit, it is cheaper to burn corn than coal. Corn on the Iowa farm was 28½ cents a bushel last month, 57 per cent of pre-war normal. (The figures are from *Wallace's Farmer*.) Pittsburgh District soft coal was $2.25 at the mine last month, $1.30 in November, 1914. Freights have not gone down.

An Oklahoma bank is carrying on propaganda for another use of corn. Every piece of mail it sends out carries the slogan:

PUT LEGS ON THE CORN!

If you can't use coal as fuel for the human engine, put it into your four-legged pork factory. The War Finance Corporation is seeking to help the farmer hold his corn for better prices, and the effect on prices of the smaller cotton crop has lent impetus to a movement to curtail the corn yield next year.

But the humanitarian side stays with us. The Nebraska State College of Agriculture figures it out this way:

Four hundred bushels of corn will supply fuel for a family that ordinarily burns 10 tons of coal during the winter, while this same 400 bushels of corn for a similar period will keep 100 people from going hungry, will make 4,000 pounds of pork and 2,000 pounds of beef—enough for fifty people.

And the Hens Now Cackle Mexican!

MEXICAN CHICKENS and the variety that grows in New England are not fundamentally dissimilar, according to a story which comes from Mexico about a conclusion apparently reached by the Federal Trade Commission in Washington, without any publicity here.

A Mexican who raises chickens, it seems, was enticed by the advertisement of a concern in New England, and sent a money order for some white Leghorns, represented to match the world record in laying eggs. After waiting without results, and sending letters which were not answered, the Mexican interested a lawyer friend, who was eventually told that delay was necessary to create a special brand of Leghorns with which the Mexican climate would agree.

The man who raises chickens south of the Rio Grande did not show great appreciation of the pains which the New England poultry fanciers were taking, and at last his protests reached the Trade Commission.

The commission has its interests in foreign trade, both because its jurisdiction over unfair competition extends to this field and by reason of its connection with the Webb-Pomerene law governing export associations. In its new annual report published on December 12 it records its belief that adjustment of even small complaints goes far toward establishing confidence and good will in foreign markets. Accordingly, the commission apparently wrote one of its most severely official letters of inquiry to the poultry fanciers. The letter made such an impression that there was an immediate response to the effect that white Leghorns would be shipped forthwith from stock and without waiting for the new breed. The commission then added that the birds would be inspected by a representative of the Department of Agriculture.

The Mexican is now joyously expecting a flock of chickens that has been inspected, tested, and certified, and may, after all, be in a position to originate a brand-new Mexican variety.

Corporation Law in China

INCORPORATION IN CHINA, under the Chinese law, has its difficulties, as some inquirers have discovered when they became impatient in waiting for Congress to pass the China-Companies Bill.

According to Chinese law a corporation created under it may find itself dissolved some fine morning if the local Chinese official opines that the corporation "disturbs the peace" in any way. The by-laws must prescribe the "manner of publicity," and particular provision is made to keep the promoters in sight.

As soon as the directors are elected, a Chinese company has to undergo a "legal inspection," in the course of which excessive valuation of property paid in may get curtailed, and the local authorities may revise the privileges and compensation of the promoters. Upon election, a director has to deposit his shares with an auditor. At stockholders' meetings, if the propriety of the acts of an officer or director is brought into question, he cannot vote his shares or any proxies he holds. If a director is dropped without cause, he is entitled to an indemnity. On the other hand, if he resigns without sufficient reason and at a time to cause detriment to the company, he has to pay damages.

Altogether, the Chinese law is an interesting reflection of a fresh point of view with respect to modern corporation law.

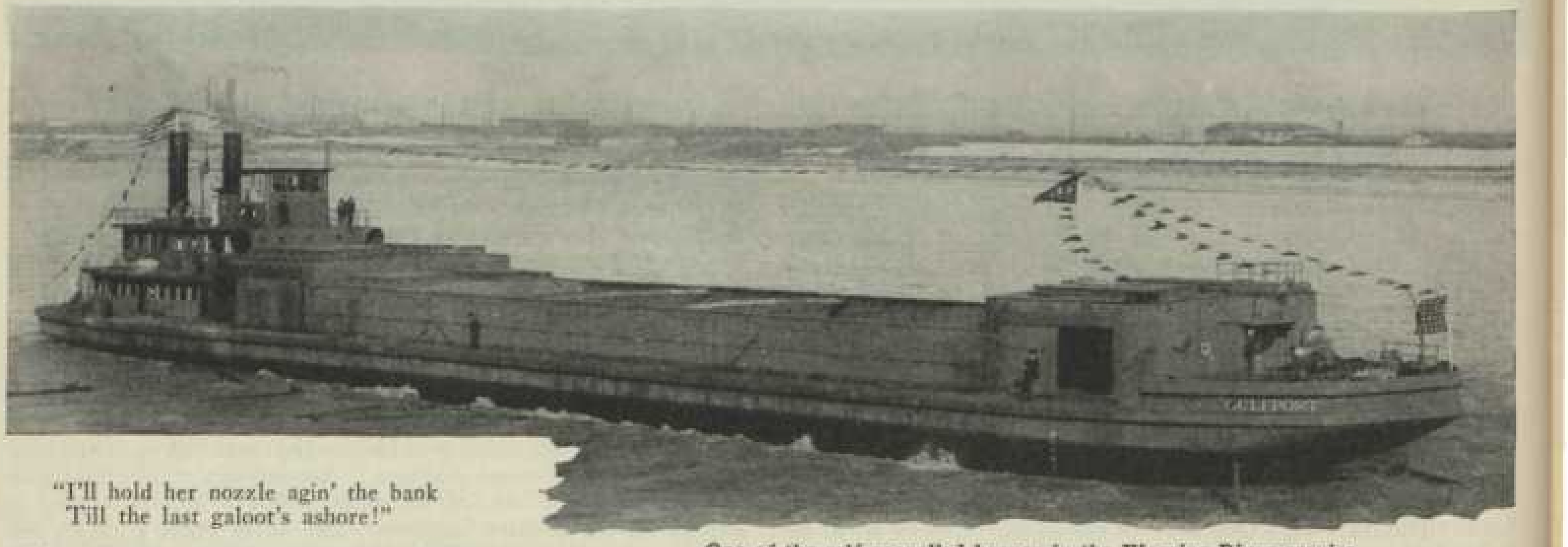
Some Import Personages

WILI-WILI SEEDS, when made into beads and imported into the United States, bid fair to cause the writing of briefs and much legal argument, because the Treasury and the importers cannot agree about the proper amount of duty. These seeds are only one of the oddities that the customs men encounter but ordinary people do not meet in their every-day humdrum.

Not long ago three dignified gentlemen listened to arguments from lawyers about canned lotus seed and, undoubtedly to the horror of the shades of long-departed lotus-eaters, pronounced the article before the court "prepared vegetable." Sliced deer horn is apparently not for eating but for mixing into a medicine with roots such as "Wai Sam and Bock Kay."

Modern Boatin' on the Mississip'

By JOYCE O'HARA



"I'll hold her nozzle agin' the bank
Till the last galoot's ashore!"

One of the self-propelled barges in the Warrior River service

SO SPAKE the immortal Jim Bludso. And Hay's poem relates how the fire that destroyed the steamboat cleansed Jim's soul of considerable worldly tarnish.

If Bludso were alive today it is probable that he would not look with entire favor upon the new form of transportation that has appeared upon the Mississippi. There is little similarity between the newest boats and those of the old days—the great packets that fought each other for freight and fought so bitterly that the cobblestones of the levees were often stained with blood.

The new boats may not give poets and song writers so many themes, but they do their job a good deal better. When Jim was running the river a steamboat that carried 900 tons of freight would have to travel with her decks awash. Today one towboat can handle 15,000 tons at one time and think nothing of it. Instead of loading the freight on the steamboat itself, the new idea is to have barges at each division point, and a towboat that comes along and picks them up just as a freight engine picks up loaded cars.

The work is carried on by the Inland and Coastwise Waterways Service, under legislation passed during the war. The service is not a part of the Quartermaster Corps or the Engineering Corps or any other branch of the Army. It is a separate organization, complete in itself, and is answerable directly to the Secretary of War. The work was started when things were mighty hot in France and the railroads were swamped with freight; the idea was to make the inland waterways do some of the work. While the war is over, the experiment has turned out so well that the service has been continued.

The wonder of wonders is that the service, though instituted and operated by the Government, can show a profit for certain periods!

During the five months of 1921, from April to the last of August, the line between New Orleans and St. Louis hauled 211,500 tons of freight, at rates about 20 per cent under the railroads. Out of the income, $153,682 was set aside as a reserve to amortize the Government investment, leaving $93,172 which would have gone to the stockholders if it had been a private enterprise. These two figures represent an earning of about 3 per cent on the government investment of $8,000,000. Naturally there is some difference between this paper value based on war costs and actual worth of the property at present. The actual value is set at $4,000,000, and on this figure the earnings would amount to about 6 per cent. The figure of the present worth of the property is gauged by the sales of the Erie barges formerly owned by the same government agency. They cost $3,500,000 and were sold for $1,400,000.

"Which," officials of the service assure you, "was a mighty good price."

But there's another point—remember that the rates are about 20 per cent under those of dry-land competitors and that about $175,000 was thus saved to shippers. One might assume that the only persons benefited in this way were those along the river, but the fact is that over a third of the freight originated at a distance from the water and was hauled down to it by the railroads.

September did not show up as well as the preceding months—it introduced a discordant note in the form of a loss, but there is every reason to believe that October figures will wipe out the stain.

Between New Orleans and St. Louis there are interchange points at Cairo, Memphis, and Vicksburg. At each of these cities special terminals have been built to take care of the barges. There are weekly—and sometimes semi-weekly—sailings from St. Louis and New Orleans. The "freight cars" are represented by 40 steel-decked barges of 2,000 tons capacity, in addition to fifteen other barges of different types turned over to the line by various government services. The power equipment consists of six modern towboats. These boats are specially designed for the purpose, and instead of being kicked along by paddlewheels at their stern, they are equipped with powerful twin screws like their deep-sea sisters. The towboats pick up the barges, which have been standing alongside of the wharves to receive their freight, and continue to the next division point. No stops are made at other landings, the service being content to let the packets take care of the local business.

One great factor in the favorable showing made by the river service is that the towboats—the power units of the line—are kept as busy as possible. They do not tie up to the levees and wait until freight is accumulated or loaded. The loafing is done by the barges, and they are supposed to have their loads and to be ready to go when the towboats whistle for the landing.

From two to six barges make up each tow. Their average speed is 6 miles an hour downstream and 3 miles an hour up. While that doesn't appear to be very speedy on paper, there have been few complaints about time of deliveries. Remember that there are no switching and terminal delays, and it is said that the barges make as good time as similar service by the railroads.

The A to Z of Commerce

FREIGHT carried includes about everything from "ammonia to zinc," the "A to Z" of commerce. Some typical articles from a downstream tow are: ammunition, beverages, baking powder, flour, glass, cotton, alfalfa, matches, paints, rugs, paper, pianos, soap, toys, tools, zinc, etc. Great shipments of cotton are picked up at Memphis and Vicksburg and carried down the river for export—often being loaded directly into the holds of steamers. Coffee, sugar, sisal, oil, molasses, and aluminum ore represent the bulk of the upstream business.

About 63 per cent of the traffic is downstream and 37 per cent upstream. It is a coincidence that 63 per cent of the freight carried originates on the banks of the river and 37 per cent comes from the hinterland.

The Inland and Coastwise Waterways Service also operates the Warrior River barge line, which is not so pleasant from a taxpaying point of view. This service lost about $479,000 during the year that ended June 30. The figures would not look so formidable if it were possible to charge off about $100,000 of the loss to depreciation—a thing that might well be done because of the slump in values from war-time costs. The Warrior River line is still losing money.

The Government took over this service as an experiment, and like most industrial experiments, it is proving costly.

How Is Business? A Special New Year Survey of Conditions as They Really Are

By ARCHER WALL DOUGLAS

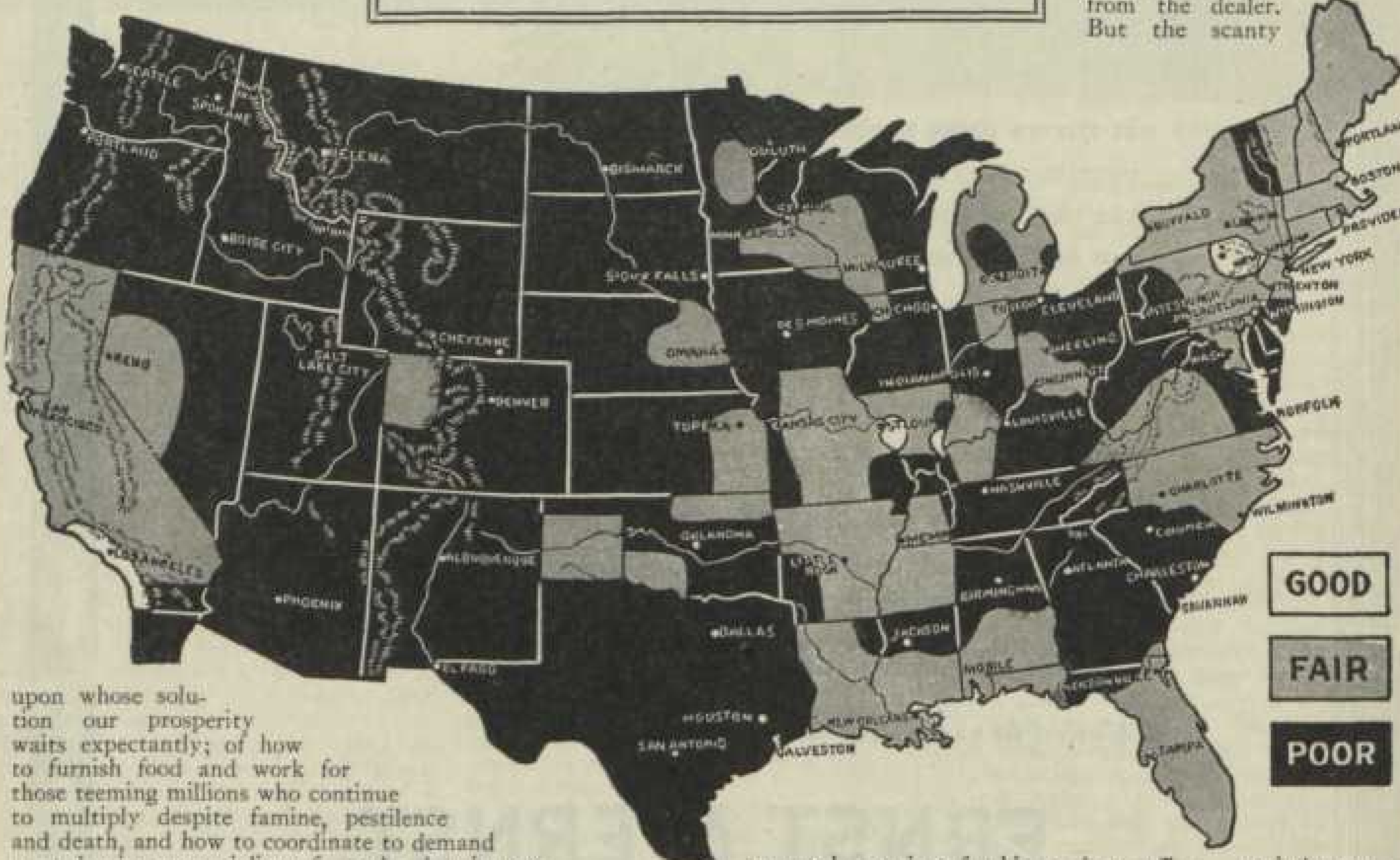
IN THE STORY of business conditions which comes to me from the four corners of the United States the recital of things agricultural but one burden bears—that of continuing stagnant markets for all farm commodities coupled with prices below the cost of production.

It is the same story borne from the endless pampas of Argentina, the sun-scorched veldt of South Africa, and the trackless bush of Australia, where grain, wool and livestock still await adequate demand, while hungry Europe starves and suffers. It hints at that world-wide problem upon whose solution our prosperity waits expectantly; of how to furnish food and work for those teeming millions who continue to multiply despite famine, pestilence and death, and how to coordinate to demand a productive potentiality of supply that is now scarce half occupied.

Business Conditions, December 11, 1921

THE DOUGLAS MAP shows at a glance the general conditions of the country. Light areas indicate good crops, industrial activity, and "high pressure" buying markets. In the black areas these conditions are lacking. The shaded areas are half way.

In studying the map it should always be borne in mind that only actual conditions are shown; prospects are not indicated.



With us the agricultural situation differs as to localities in degree rather than in kind. Farmers are not buying save only things of immediate and pressing necessity, and for the very good reason that most of them have neither ready money nor credit. Also they are in an economizing mood that has taken grim hold upon them. Country banks have loaned all they deem is safe, and the statements of many of the observers is, that "getting money from banks for any purpose is impossible," and others add, "it can't be done." Business is rather quiet in the spring wheat states, especially where the harvest was poor or where the quality of the wheat was not good, and consequently brings reduced prices.

Also much the same situation prevails where corn is the principal money crop, and where its price is so low that it is tragic in its effect upon business and upon the needs of the farmer, since it is now about one-tenth of what it was during its high period in war times.

These conditions account for the wide splash of "Poor" on the map in the spring wheat states of the Northwest and the corn-growing sections of the Middle West. One reason for the lack of a better demand for corn is the enormous crop of this cereal produced this year by the South, more than enough for its own needs, when in the past it drew upon the surplus corn states for much of its wants. Livestock, wheat and oats are only a trifle higher proportionately in price than corn, and consequently there is no especial reason save necessity to sell them. That is about the only reason that agricultural commodities are coming to market in such volume as now prevails. For the farmer must have money to make some purchases, since credit is very difficult for him to obtain from the dealer. But the scanty returns he receives for his products offer no inducement for him to sell, and consequently business upon the countryside continues in moderate volume, though it is really larger than would seem likely under prevailing conditions.

Matters are somewhat better in the Southern States although the recent decline in cotton put a crimp in that general buying which had gotten well under way. This buying was also affected by the revelation that the official estimate of this year's production of cotton is apparently wide of the mark, added to which there consequently ensued a lot of wild guesses as to what the crop really is, all of which upset previous beliefs and necessitated new grounds for action. Despite our many disillusions, we seem to be trusting souls regarding "estimates" about most economic matters from most any source, not realizing that a large proportion of them would find their fitting place on the comic page of the newspapers. Then the census returns come along every decade and further spill the beans by so totally disagreeing in many particulars with all official estimates that there is naturally raised the questions as to which is right.

The growing winter wheat is generally in most excellent condition, the only exceptions being scattered spots where lack

(*Continued on page 33*)

The Sharp Pencil Speaks

The American Mutual Liability Insurance Company was planning its 1922 selling campaign.

It wanted to know how it could reach its market most efficiently and economically.

So it asked the officials of 2800 companies, which carry their employer-liability policies, what magazines they read regularly.

Here is a tabulation of the 1156 answers:

Literary Digest	402	Everybody's	64
Saturday Evening Post	327	Scientific American	61
National Geographic Magazine	269	Red Book	54
American Magazine	238	Century	47
NATION'S BUSINESS	126	Scribner's	45
Life	123	Leslie's	44
Cosmopolitan	122	McClure's	41
System	120	Judge	35
World's Work	111	Forbes	34
Collier's	100	Hearst's	32
Review of Reviews	98	Magazine of Wall Street	28
Atlantic Monthly	89	Metropolitan	24
Outlook	87	Current Opinion	23
Rotarian	84	Motor	22
Harper's	66	Munsey's	17

It is not the purpose here to speak of The NATION'S BUSINESS in fifth place.★

Rather this: The man with a sharp pencil and a grim necessity of making his "selling dollar" do more work than ever before, will note:

The NATION'S BUSINESS, with a circulation of 85,000 and a page rate of only $600, is in the million and over circulation group.

The sharp pencil finds: To reach three times as many executives in a million-circulation publication, you must pay more than six times as much as in The NATION'S BUSINESS.

THE NATION'S BUSINESS

WASHINGTON

★The standing of The NATION'S BUSINESS in other recent disinterested tests:

Among railroad executives	5th place
Among industrial executives	6th place
Among bankers	9th place

Complete data on request.

Send for this Direct Evidence

EXHIBIT A.—Advertising to Produce Sales

EXHIBIT B.—Reader Influence and Advertiser Experience.

of moisture has hurt growth. There seems to be some less acreage than last year.

As always, however, there are many minor causes which relieve and alleviate the stringency in the agricultural situation. There is the dairy cow and the poultry bird of high pedigree, whose products furnish much money to the farmer on the whole and whose results still shine out like a little candle in a naughty world. There are fruits in the northwestern mountain and desert states and in California. There is garden truck in the Gulf states and coming afar from the Pacific slope. There are many minor crops, rice, beans, cranberries and sweet potatoes whose use and market are being extended by drying and preserving processes. There is tobacco, where it is selling, as in North Carolina and Virginia. But where it is pooled, as in Kentucky and Tennessee, there is a deadlock between buyers and sellers, with nothing doing, and consequent stagnant business. There is the oil business in many states, undeniably on the upgrade both as to production and prices, though prospecting and drilling seem to be generally quiet, save in a few localities, notably the Mexia field in Texas.

There is more building going on than is generally realized, because it is very local and much scattered. Also there is much more looked for next spring, as it is believed by that time that high-priced labor and material will have "got theirs." There is likewise general expectation that with the opening of spring it will be easier to obtain money for construction in the country districts than is now possible.

But scant comfort can be had from the shipbuilding industry, for it mostly is not existent at present. Nor does mining in general offer much encouragement, for, as one observer remarks in common parlance, "it blowed up on account of price." Phosphate mining in Florida adds an international tinge to the narrative by being mostly shut down because of lack of demand from Germany, its principal customer. Coal mining, save in the anthracite regions of Pennsylvania, is as eagerly awaiting a (cold) gale to blow from the north as did Patrick Henry in revolutionary days. Meanwhile the fear of a threatened strike in the bituminous coal regions next spring casts its shadow over all buying for the future in such sections.

The gods seem still to be very busy making some people mad. The lumber business has helped the situation much in localities, especially in the yellow pine districts. Just now it is slowing down because of the approach of cold weather but expects all sorts of business next spring, especially if the handicap of high freight rates be removed.

Lower costs of transportation are among the matters of moment that add hope of better business in some lines after the coming of the year. In agriculture it means a moderate increase of price to the farmer, though not necessarily to the consumer on farm products. Industrial life, where active, adds distinctly to the welfare of such communities. That is why there is such a proportion of "Fair" in the map coloring of New England and of North Carolina because of textile mills that are doing well. That likewise accounts for better busines in many scattered localities where shoe factories are full of work, or because of the presence of furniture factories that are fairly busy despite lack of active and general construction.

Throughout the nation these local industries, of one kind and another, which happen to be an exception to the general dullness in industrial life, are the saving grace in an otherwise intolerable situation. The thing of much moment in this far-reaching and all-embracing survey is the veracious and moving tale of how the multitudinous many regard the future and its likelihoods. On the surface it is a matter of environment and that principally.

The cotton planters, for instance, in those portions of South Carolina and Georgia where the boll weevil is just appearing, are in a panic of apprehension as to the future, since all the ways of farming, of buying and selling will have to be cast into the scrapheap for all time, to come. For, like the Foolish Virgins, the growers' lamps were not lighted when there appeared the terror of cotton production that had been slowly approaching for three decades. Wherein they do not differ from any other people. In sections of the South where the boll weevil is accepted as one of the decrees of an inexplicable fate, to be fought accordingly, there is much hope, often belief, that the coming year holds better fortune than the twelve months now gone, largely because of the conviction that cotton will gradually reach higher levels in the coming months.

In some parts of the grain regions where there have been two or more poor harvests, there is small hope of any material improvement until after another crop is made. So the varying thought leans to better things after the first of the year or else postpones it till the beginning of spring, or even to the middle of next year—all according to the nature and condition of the leading industry and the prospects of its coming back.

Sometimes apparently intangible matters, such as the disarmament proceedings, have a profoundly encouraging effect, or the belief that many of the constructive programs now in contemplation or actual operation will soon show tangible results. The universal feeling is that there can be no better times that are enduring or worth while until the prices of farm products advance materially or the prices of other commodities decline proportionately. The attitude to the future is almost invariably summed up in a single word, "Gloomy," "Uncertain," "Pessimistic," "Optimistic." Sometimes, though not often, a whole state thinks one way, More often there is the most profound difference in the mental attitude of neighboring localities.

Those questionnaire theorists who dearly love averages would be hopelessly bewildered in getting any percentage of expression. One phrase recurs that best tells the story, and the most vivid expression of it comes from the far southwest where every industry is deadly dull and where everything has gone wrong, including the weather. For it sounds the intimate and characteristic note of those who people that section. "Hopeful," the spirit of unflagging courage and grim resolution; the fighting spirit that holds like a stone wall for four downs on the one-yard line.

The Nation's Business Observatory

The new railroad labor rules as the industrial press views them—The Linseed Oil Case as trade associations see it—Cotton crop estimates and the actual figures

THE proposal to the Interstate Commerce Commission by the railroads that a 10 per cent reduction in freight rates on agricultural products be substituted for various proposed cuts in grain, livestock, etc., and the Railroad Labor Board's revision of the national agreement of the railway shop crafts have aroused hope in a betterment of railroad conditions.

Of the effects of the Labor Board ruling *Railway Review* says:

> The more offensive and wasteful restrictions are removed or modified. The board has estimated that the changes in the rules will mean a saving to the railroads of about $50,000,000 per year, not including the estimated saving from the amended overtime rules. A number of rules to which the roads have objected are eliminated, and others having to do with the absurd division of duties under the old agreement are modified to the extent that the wasteful practice of assigning two or more men to do one man's work is partly overcome. If the reductions in labor costs accomplished simply by the partial elimination of wasteful practices amounts to so large a sum, it would be fitting for the railroads to send a bill to the Labor Board for about $75,000,000 to make up for losses needlessly suffered while the board has been deciding other important matters, such as whether an office boy should be classed as messenger boy or office boy. As for establishing the open shop on the railroads, as the board intimates in a statement issued to the press, the decision does nothing of the sort, not even in theory.

The action of the railway executives in proposing a reduction in farm freights is hailed by the *Financial and Commercial Chronicle* as offering "an honorable challenge to the railway brotherhoods" which these organizations "have not shown alacrity in accepting." In fact the *Chronicle* is unable to understand the frame of mind of B. M. Jewell of the railway department of the American Federation of Labor, who has announced "a general wage increase movement." In this, it is suggested, "the officials back of the attempt probably count on nothing more than obstructing the downward movement in nominal wages."

After outlining the board's ruling on the national agreement with shop crafts, the *Chronicle* says:

> This is not the entire gain, for the board recedes from its suggestion (so greedily seized as excuse by the brotherhoods at the Chicago session) that a press of business in complaint cases may put off action on wages till midsummer. With rule revision out of the way, says Mr. Hooper of that body, the board will now be free to consider requests by either the roads or the shopmen for a change in wage schedules. Neither the notice by some carriers of application for a cut, nor from the shopmen for an increase, has been officially received by the board, which will therefore be free to take up this question before either party can get it before us.

The move of the railroads towards acceptance of lower rates will, in the opinion

of *Engineering News Record*, "bring public appreciation, even if it will not—and it should not—decrease the public's demand for lower rates. Rate deflation is as necessary as deflation of other charges upon the public. A general rate reduction running ahead of wage lowering will tend to accelerate the latter."

The proposal that the powers of the Railroad Labor Board should be vested in the Interstate Commerce Commission finds support. *The National Stockman and Farmer* suggests:

One fundamental trouble in establishing costs in harmony with rates is that wages and working conditions are in charge of one official agency and rates are in charge of another. The functions of the two bodies should be united in one, and that one should be the Interstate Commerce Commission.

Manufacturers' Record cites with approval a pamphlet on "Transportation" by President James A. Campbell of the Youngstown Sheet and Tube Company:

The Administration and Congress can do much to remedy existing conditions, Mr. Campbell declares. One thing is to speedily pay the railroads the money rightfully due them by the Government. Next is legislation to enable the railroads to restore conditions which will make it possible for them to conduct transportation without charging such high freight rates as to cripple all industries. He believes that the first steps to be taken are the repeal of the Adamson Act and modification of the Esch-Cummins Act to abolish the Railroad Labor Board or to transfer its functions to the Interstate Commerce Commission. If the railroads are given opportunity to manage their business efficiently and economically, railroad labor will at once be reclassified on proper lines and paid the rates prevailing in localities through which the lines pass, rates will be reduced, the farmers' buying power restored, factories will operate and transportation will be fully utilized.

The Iron Age welcomed a general inquiry into prices paid by the railroad for steel equipment and the part played in turn by transportation in fixing those prices. On these points it says:

One of the phases of the Commerce Commission's inquiry relates to the percentage of the prices of rails and other steel products, as well as of railroad equipment, that is represented by transportation. Steel manufacturers will be able to show that the transportation cost of the nearly 5 tons of raw materials required for a ton of finished steel has practically doubled since 1913. For one central western steel company this freight cost, which was $5.80 in 1913, is today over $11.50 per ton of steel.

Over against the 100 per cent increase in the transportation cost of a ton of steel, where do the market prices of steel products stand today in relation to the prices of 1913? *The Iron Age* composite for the seven principal forms of finished steel (including rails) one week ago was 2.099 cents a pound, whereas for 1913 it averaged 1.665 cents per pound—an increase of 0.436 cents, or 26 per cent. The percentage increase in transportation cost of steel, therefore, has been nearly four times the percentage increase in the prices paid by the railroads for the steel entering into their tracks and equipment.

With the problem of how to lower freight rates before the country, a study made by *Railway Age* is of interest. Going back over a period of thirty years and taking the averages of the years '90-99 as 100, the *Age* says that "freight charges are relatively much lower than commodity prices.

The *Age* contends that the trouble is not so much that rates are too high now as it is that they were too low just before the war. Here is its conclusion:

Unquestionably, as a result of the horizontal percentage advances in rates which have been

made within recent years, there are rates which are higher than the traffic easily can bear. Unquestionably, also, there ought to be some general reductions of rates if first the operating costs of the railways can be correspondingly reduced. But, taken as a whole, the present scale of freight rates is relatively low compared with the present general scale of commodity prices, and, taking rates as a whole, there is absolutely no justification for contending that they are too high in proportion to prices in general.

The "Linseed Trust" Case and Its Bearing on Trade Associations

THE TRADE associations have been eager for a better understanding of their rights under the Sherman Act, and they are gratified by the ruling of Judge George A. Carpenter in the "linseed trust" case in the United States District Court at Chicago. The Government asked an injunction against the American Linseed Company, the Armstrong Bureau of Related Industries, and a number of linseed crushers. The injunction was denied.

In summarizing this decision for the *Coal Review*, Rush C. Butler, general counsel of the National Coal Association, says:

The Armstrong Bureau was the agency through which the linseed oil manufacturers exchanged trade information. The bureau collected from and distributed to its members information concerning sales of oil, stock on hand, crop conditions at home and abroad, current quotations on linseed oil and price lists. The court said that the only restraint which the rules of the bureau on their face impose is, that the members agree not to deviate from their price lists without informing the other members at once by telegram. The information collected and distributed by the bureau was true. It was of the kind which a sagacious business man endeavors to secure in the operation of his enterprise.

There was no proof that the members of the bureau at its meetings or other places discussed prices or made agreements with respect to prices. There was no evidence that the prices asked by members were not in accordance with the market price of flaxseed upon which the price of linseed oil was based. Production was not limited; territory was not divided. There was no proof that the prices asked were not fixed by the individual members upon their own judgment. There was no proof that any member was under obligation or constraint to ask higher prices or to maintain prices.

The chief contention of the Government, says Mr. Butler, was that the operation of the bureau tended toward a stabilization of prices. On this point Judge Carpenter's decision said:

As a result of accurate and instant knowledge on the part of the producers, the prices of linseed oil, instead of varying sharply from day to day, as shown by the sales made, assumed an average price without the deviations. If these deviations before had been the result of real competition, based on accurate knowledge by the producers, of the real market conditions, then the Government is far from sustaining its contentions. The defendants, however, have shown, and their evidence is uncontradicted, that the deviations before existing were caused by the individual producers endeavoring to meet prices of their competitors which have never been made; and it is common in the trade for buyers to make false representations as to prices made by other producers. Surely such a condition is not the one the Sherman Act aims to foster.

In comparing the Armstrong Bureau with the public exchange, the court also said: "It is difficult to understand any ground for declaring one legal and the other illegal."

The *Coal Review* thus compares the linseed case with the hardwood lumber case now before the Supreme Court:

It is unfortunate for the association idea that a clear-cut case such as that of the Armstrong Bureau is not now before the United States Supreme Court instead of the Hardwood Lumber case in which the unauthorized activities of a misguided secretary play so prominent a part. So great is the importance of a decision by the Supreme Court of the issue squarely presented in the Armstrong Bureau case that it is hoped by all business men that the court in deciding the Lumber Association case may find a way in which to dissociate the secretary's conduct from the activities of the association and make a definite and positive announcement as to the bounds within which competitors may cooperate for their mutual benefit and for the benefit of the public.

The comparison of the association activities with those of the great exchanges interests *Oil, Paint and Drug Reporter*, which says:

If an act is illegal, surely it is none the less so when publicly committed. Why should those commercial groups, whose members lack opportunity to gather in front of a blackboard, be denied the right to get their market information by mail or wire? What is the legal difference between going after such information and having it brought to one? In fine, what is there illegal about price information? It is not the information, but the use made of it, which might constitute an illegal act, and as Judge Carpenter says: "Logic which assumed that because there is an opportunity to fix prices, therefore prices are fixed, is contrary to the genius and logic of our law." It is to be hoped that those officially concerned with the regulation of business may get that dictum clearly in mind.

"A decision legalizing the operations of trade associations" is what the *National Provisioner* calls it, and adds:

It is highly desirable that for business economy, efficiency and progress, related businesses should associate themselves for exchange of knowledge and perfecting of methods. The court by this ruling has done much to clear the way for further constructive work by trade associations.

An illustration of the new view of government towards trade associations is found in the words of Herbert Hoover, Secretary of Commerce, who said in a recent letter: "It is my conviction that the development of the greater stability, security and purpose of public service of our business community lies in large degree in our trade associations." He has put his conviction into action by the closest cooperation with representative trade associations of the country.

The *Southern Lumberman* says that the tactics pursued by the linseed oil men were "much more open to criticism" than the activities of the hardwood lumbermen. It quotes with approval this from the decision:

Every man is presumed to be innocent until he is proved guilty. If the Armstrong Bureau is to be dissolved merely because it afforded the members an opportunity to fix prices, then the court, with equal propriety, could be asked to dissolve any lunch club where business men meet. This theory hardly warrants discussion.

Then it adds:

Judge Carpenter is right in his opinion that such a theory does not warrant discussion, but the hardwood manufacturers can testify that there has been an enormous mass of discussion of a very similar theory. In making his decision Judge Carpenter evidently overlooked the precedent established by the judge in the Memphis court, who issued one of the most sweeping injunctions it would be possible to express in the English language just because a handful of hardwood manufacturers agreed to participate in an open competition plan, and

the Government discovered the suspicious fact that prices began to advance (along with all other commodity prices) two years after the plan was put in operation.

The hardwood manufacturers of the South would have been saved a lot of expensive litigation if it had been their good fortune to have their case originally tried before a judge as cognizant of business matters as Judge Carpenter appears to be.

What Does Navy Building Mean to the Steel Men?

AS WE READ of the ships to be scrapped under the Hughes proposal, it would seem that steel men would be hard put to it during a naval holiday. But would they?

The *Iron Age* thinks not. It figures that "all the steel represented in the 30 vessels that are to be cut off is but 1.60 per cent of the country's production last year." They used but 580,000 tons of steel, while in 1920 the finished steel output of the country was 32,000,000 tons. The *Age* adds:

To build these thirty warships would be a matter of seven or eight years if all the eight yards in the country capable of building such vessels were to concentrate upon the work. In other words, the steel required for a year's naval program, in terms of tonnage, is only a fraction of 1 per cent of the output of American steel works.

The American steel industry has been built up on the pursuits of peace. Its prosperity is a prosperity of peace. Its leaders have declared themselves as wholeheartedly in favor of President Harding's plans for the limitation of armament, relieving the American people of the fearful wastes and burdens of war expenditure. Viewed purely from the standpoint of self-interest and the largest expansion of their industry, they recognize that the constructive forces that will be released by the American proposals will mean far more in the end to steel works capital and labor than all that has ever come to them from the budgets of war.

The *American Metal Market* even compares the lordly battleship to the humble tin can and minimizes the former:

The American steel industry has a capacity of about 52,500,000 gross tons of steel ingots a year, or about 40,000,000 gross tons of finished rolled steel. At the outside an extensive naval program would involve the consumption of a very few hundred thousand tons of steel per year, engaging less than 1 per cent of the steel productive capacity. The C., B. & Q. is reported to be asking prices at the present time on 7,300 freight cars. The order if placed would involve 100,000 to 150,000 tons of rolled steel. There are two railroad systems which are doing nothing if they do not take more than 100,000 tons of rails each in a year. Yet rails are not nearly as important in tonnage as the public thinks. The upkeep of all the steam railroad track in the United States involves an annual tonnage just about equal to the tin plate made in a year of full demand, yet tin plate is in some quarters considered the toy department of the steel industry.

Current Cotton Figures and the Outlook for 1922

CAN the cotton crop be kept down for two years running? The American Cotton Association has pledged its state organizations to keep the 1922 acreage down to that of 1921, but in the opinion of *Textile World* the financial pressure by the bankers had more to do with the cut than the Cotton Association. This pressure is lighter now, and here is the forecast of that periodical:

Planters will be relatively free to act upon their own judgment, and, if prices are no lower than at present when the planting season

arrives, it is reasonable to expect that there will be some increase in the acreage; at this juncture, however, it is idle to attempt to estimate the extent of that increase.

But even though no greater acreage is planted than was put into cotton this season, it will be admitted by most cotton experts that it will be possible to raise 50 per cent more cotton than is likely to be picked this season, provided usual care is taken in seed selection, in fertilization, in cultivation and in combating the boll weevil and other plant pests, and provided weather conditions throughout the season are a little better than normal.

These being the probabilities, it would seem reasonable to expect a crop of 10,000,000 to 11,000,000 bales next season even though the acreage is no larger than in 1921. Should higher prices stimulate the planting of an increased acreage, and should the boll weevil be more effectively controlled and weather conditions prove normal, a reasonable minimum estimate of the crop would be not less than 12,000,000 bales. At present writing preparations for a crop smaller than this would seem as dangerous to the future interests of southern planters as of domestic spinners.

What was this year's crop and by how much did it exceed the government estimate of last fall of 7,000,000 bales? *Textile World* says: "The estimate of less than 8,000,000 bales is becoming more widely believed." Here is the opinion of the *Dry Goods Economist:*

With each new report on the amount of cotton already picked and ginned, estimates of the final crop rise. When the first report came out in October showing ginnings of 5,700,000 bales there arose suspicion that the Government's crop estimate was a little too low. The first November report almost created consternation, with its figure of 6,646,136 bales. Crop estimates rose promptly, so that a total of 7,500,000 bales was regarded as a certainty and 8,000,000 bales as a possibility.

The latest report shows that there have been picked and ginned 7,270,575 running bales. It means that, with several reports still to come, there have been gathered 733,575 bales of cotton more than the government estimate for the entire crop. So now the trade is confident of 8,000,000 bales and is wondering if there isn't some chance that the final count will be even higher.

There is, of course, a chance; but it is rather slender. Ginning certainly has passed the peak and is falling off. In many sections the whole crop is in. In others little remains to be picked, for the top crop is light. Anything much above 8,000,000 bales must be regarded as a possible gift of fortune, not as something to count on.

"Superpower," the Hope and the Difficulties in the Way

The Nation's Business some months ago told of the superpower survey being made by a group of engineers under the leadership of the Geological Survey which had for its purpose the coordinating of the power sources of the Atlantic Coast industrial region from Washington to northern New England. The survey has just issued a report on the plan which has aroused some specific criticism.

Railway Age believes that the engineers who make the report are partisan for electricity as against steam. On this point it says:

There are presumably few railway men left who do not believe that electrification is the proper development in situations suitable for it. The electrification advocates do not seem to realize that the electric locomotive has not proved itself the panacea for all the railroad ills. On the other hand, they seem to have little or no comprehension of the fact that the steam locomotive of today is a quite different motive power unit from the locomotive of a decade ago. This probably explains why they

do not hesitate to compare operation with the most modern, up-to-date electric locomotive working on mountain grades with the operation of the old steam locomotives displaced on these electrified sections.

Further than that, electrification will cost enormous sums of money. Money is not easily obtainable by American railroads under present conditions. We submit that the burden of proof is still on the electrification advocates to show that enormous expenditures will be worth while in the present state of the art of heavy electric traction. All these facts are omitted from consideration in the superpower survey report. Admitted always that electrification has proved itself worth while in the conditions suited for it, we assert that a general plan for electrification such as is proposed in this report is visionary and not sufficiently supported by facts.

The difficulty of finance is presented by Louis Bell, writing to *Electrical World*. He says:

> There may be some roads which could, practically, get away with an equipment bond issue of $30,000 per mile, which is the sum suggested, despite their underlying securities; but I doubt whether these roads are numerous or whether they cover more than a small fraction of the 19,000 miles of trackage set out in this report.

Mr. Bell believes that the first point of attack should be "via the hydraulic resources from the Long Sault to the Potomac."

The difficulties in the way are also pointed out by the *Engineering News Record*, which says:

> Superpower is rather a grandiose term for what has been common enough in engineering practice—the interconnection of power plants with the consequent savings due to leveling of peak loadings and to the economies of coordinated operation. Wherein the so-called superpower survey is new in the application of these principles to a large industrial area—the largest, in fact, in the country—and the viewing of that district as an engineering entity rather than as a collection of political and financial separates. This is useful work which gives the necessary base data upon which future plans can be made and visualized for the financier and legislator just what the engineer has to offer toward the reduction in the cost of living. It must be admitted, however, that considering how the world of business now thinks, it is a highly idealistic matter.

The project from the standpoint of the coal industry is discussed by *Coal Age*, which says:

> Of importance, too, for the seller of coal is the anticipated increase within the next decade in the dimensions of the power plants. Whereas in 1919 the average size of the electric utility plans within the Boston-Washington zone was 7,900 kw., by 1930 this ssize will have been increased to 29,900 kw. It is noted in the report that the average size of new steam-elecric plants to be installed will be 218,000 kw. as against the present 10,000 kw. In other words, with the buying power concentrated in fewer hands, the competition in selling coal for central power plants will be many times keener than now. A situation similar to that in the Chicago territory will develop in the east, in which a few large consumers can make or break the market in ordinary times because their huge requirements represent such a large portion of the offerings of steam coal in that market.
>
> It is the opinion of the engineers making the report that the superpower system should confine its activities to the production of power and the storage of coal. Ownership of coal mines, coal cars, and coal delivery routes was each considered and is opposed. The possibilities of stabilizing the eastern steam coal market offered in prospect by this system are great.

Log of Organized Business

PRESIDENT DEFREES of the National Chamber of Commerce of the United States has called to the attention of the President of the United States, the members of the Limitation of Armament Conference representing the United States Government, and the members of their advisory committee, the following resolutions adopted by the Board of Directors, and also the results of the referendum held by the Chamber concerning the international situation:

Resolved, That the Board of Directors of the Chamber of Commerce of the United States of America observes with deep gratification the first proposals presented by our government at the Conference on Limitation of Armaments and cordially received by the other governments represented.

The business men of the United States have declared repeatedly through the National Chamber by resolution and referendum their sentiments concerning reductions of armaments and constructive steps by which governments will unite in the establishment of methods for the prevention of war and maintenance of real peace in the world.

We earnestly desire that the momentous conference now in session will formulate and agree upon plans which will not only reduce the great burdens which the people of the world now bear in supporting armies and navies, but will result in the substitution of arbitration and law in the settlement of disputes between nations and the removal of the menace of war with its attendant evil and suffering.

The board also voted that President Defrees appoint a committee composed of the president of the National Chamber as chairman, members of the Senior Council, four vice-presidents, and such additional members as the president may appoint to consider the broad problems involved in the activities of the Limitation of Armaments Conference, to keep in close touch with the representatives of the United States in the conference and their advisory committee.

Why a Free Zone?

THERE ARE two main advantages which may be hoped for from the establishment of free zones in ports of this country, according to reports submitted by the National Chamber on Free Zones in Ports in the United States. These advantages are:

Increased facility for trans-shipment business, and increased facility for developing an international consignment market. It is believed that with free zones in our ports the American merchant marine will benefit from an increased share in the carrying trade of the world; that American merchants and manufacturers will benefit in a variety of ways from the advantages of a wide American consignment market for foreign products; that the free zones will bring needed improvement in American port and terminal facilities; that free zones will bring added business to American banks, insurance companies, freight forwarders and warehousemen; that free zones will bring about a vast improvement of the type of facilities provided at present only by bonded warehouses and drawback, together with a simplification and saving in the work of customs administration. The establishment of free zones will be a step forward in improving our material equipment in building up our international trade.

The report of this special Committee on Free Zones was received by the Board of Directors of the National Chamber as a report of information supporting a resolution

adopted at the Eighth Annual Meeting of the National Chamber advocating the establishment of free zones in ports of the United States. The report was ordered published and will be made the basis for an active advocacy of permissive legislation authorizing the establishment of such zones in ports where the local authorities and local business interests may have the initiative and energy to create them.

The Chamber and the Business Press

CLOSER relations between the National Chamber and the business press are forecast as a result of plans under way for periodic meetings in Washington of members of the National Editorial Board of Business Papers with the Chamber's executive officers and principal members of the staff.

The business paper editors come to Washington once a month for a conference with Secretary Hoover. It is planned to have them visit the Chamber's offices when they are in the capital to see the Secretary. A preliminary meeting was held with the editors at the offices of the Chamber on November 27, when about thirty-five of them met with the officers and managers and with members of the Chamber's Committee which is following the Armament Conference.

More Dwelling Houses

THERE WAS a decided increase in the construction of dwelling houses in this country during the first ten months of 1921, according to information obtained by the Civic Development Department of the National Chamber.

Construction figures furnished by forty-four important cities show that during the period from January to October of the present year about $603,000,000 went into new construction, while during all 1920 the total in the same cities was only $8,000,000 more. During the shorter period this year 57.9 per cent of the total was for dwelling houses as against only 36.1 per cent in 1920.

Figures from some of the reporting cities are not brought up to date, as it is not universal practice to make monthly reports, and the indications are that the dwelling percentage will be larger when all figures are in.

The estimated cost of all construction reported in the forty-four cities for ten months of 1921 exceeds $722,000,000 of which $349,000,000 is residential and $254,000,000 non-residential. Alterations, repairs and special construction cost $119,000,000. Not only *would these totals be increased if all reports* were up to date, according to the National Chamber, but as costs have been reduced, each dollar this year represents an increased volume of construction.

The total estimated cost reported by the same cities for the entire year of 1920 was $798,000,000.

Our Timber Supply

THE National Forestry Policy Committee of the National Chamber, which is engaged in the work of formulating a national policy to maintain the country's timber supply, held an open hearing in New Orleans in November. Last summer meetings were held at New York, Chicago, Minneapolis, Spokane, Seattle, Portland, Tacoma, and San Francisco, and the committee has now practically covered the important timber-growing districts of the United States.

The New Orleans meeting was held at the headquarters of the Association of Commerce, and the preliminary arrangements for the meeting were in the hands of a local

committee of officials of the Association of Commerce, representing lumbermen, lumber trade associations, and State Forestry officials.

Forty-two of the leading timber owners, lumber manufacturers, and State and Federal Foresters attended the hearings, which lasted two days. Fire protection and relief from excessive taxation were the principal topics discussed.

W. DuB. Brookings, manager of the Natural Resources Production Department of the National Chamber, and secretary of the committee, announces that a final hearing will be held soon in Washington, after which the committee will submit a report of its investigation to the Board of Directors of the National Chamber.

Distribution Hearings

A SERIES of open hearings in different parts of the country has been begun by the committee of the Domestic Distribution Department of the Chamber of Commerce of the United States, for the purpose of investigating the varied problems affecting the distribution of goods.

These hearing are to be arranged geographically so that every section will have an opportunity to be heard. In this way the committee hopes to learn, by intimate contact with distributors, what their problems are.

More effective distribution methods is the ultimate goal of the committee. The first of these hearings was held recently at Kansas City. More than one hundred representatives of trade, commercial and agricultural associations of the Middle West, together with a number of business men, were present at the hearing.

As outlined by Theodore Whitmarsh of New York, chairman of the committee, three important distribution questions dealt with were:

Problem of keeping up sales.
Reestablishment of confidence in prices.
Elimination of waste in distributive processes.

Give the Railroad Act a Trial

PREPARATIONS are being made by the National Chamber to oppose vigorously any movement that may be made in the coming session of Congress to repeal provisions of the Transportation Act, which authorizes the Interstate Commerce Commission to make rates to provide adequate revenue for the railroads and to regulate intrastate rates.

The position of the Chamber is that these provisions of the act should not be repealed until they have had a fair test.

In a communication sent out to the constituents of the Chamber, Joseph H. Defrees, president, said that the passage of such legislation as the Capper or Nicholson bills would be "a long step backward."

According to President Defrees, "enactment of the proposed legislation would repeal those sections of the Transportation Act by which the Interstate Commerce Commission is directed to establish rates that are reasonably adequate to the railways and just to the public. The Railroad Committee and the officers of the National Chamber are firm and fixed in the opinion that these proposed laws would be extremely injurious to the railways and detrimental to the public good."

President Defrees points out that the rate-making provision of the Transportation Act gives no guaranty whatever to the railroads. He says:

Statements to the contrary are misrepresentations. If rates even under the most honest,

efficient and economical management do not yield the return specified in the act, the amount of the shortage is lost to the railroads. Not a cent is payable from the Federal Treasury, and the deficit cannot be made up from rates subsequently established.

The railways are now in a depleted condition. There is need for the expenditure of millions of dollars for proper maintenance and equipment. The country is growing in population, and there is need and there will be constantly growing need for an expansion of the railways. This need for expansion can be met only if they can market their securities. If the railways can receive no adequate return, it is at once obvious that they cannot market their securities. The corollary follows that they will fall into a dilapidated condition and their facilities will be insufficient to supply the public needs. Not only would this be a disaster to the railroads as business enterprises, but it would be a calamity affecting in a most serious way every shipper and every consumer. This condition would tend inevitably in the direction of government ownership.

Trade Association Activities

TRADE ASSOCIATION activities are increasing, to say the least. The Fabricated Production Department of the National Chamber has just prepared a tentative list of these activities, based upon information received from association secretaries. The list enumerates the activities of seventy-eight trade associations. Here they are:

Adjustments, Advertising, Arbitration, "Association Spirit" and "Acquaintanceship," Bulletins.

Classifications, Collections, Compensation, Compilation of Trade Information, Conservation, Cooperation, Cooperative Advertising, Cooperative Buying, Cooperative Selling, Cooperation with Other Trade Organizations, Cost Accounting and Cost Finding, Credit Bureau.

Demonstrations, "Distribution and New Markets," Educational, Eliminations of Excess Variety, Elimination of Abuses (Trade Practices), Employment Bureau, Ethics of Business, Exchange of Surplus Materials, Exhibits.

Financial Statement, Consolidated, Yearly; Foreign Trade Service, Freight Classification.

Group Meetings.

Hand Books, House Organs.

Industrial Bureau, Inspection Service, Insurance, Investigations, Technical (Testing etc.).

Labor Problem, Legal Advice, Legal Aid, Legislative Work, Litigation.

Market Reports, Materials, Raw; Methods.

Open Price Bureau, Open Shop, Organization.

Patent and Trade Marks, Price Data Exchange, Production; Publicity, General; Purchasing, Price Lists and Classified Buyers' Guides

Relation Between Own Industry and Allied Industries, Research, Restriction of Production.

Sales Promotion, Social Contact of Competitors, Standardization, Statistics (1. Production, 2. Shipments, 3. Orders); Statistics, Production; Statistics, Wage Rates, Volume of Orders on Hand, Cost of Manufacture, Overhead Expenses; Style Bureau.

Tariff Work, Taxation, Technical Education, Technical Information, Trade Extension Work, Trade Information, Trademarks and Copyrights, Trade Practices (Coordination), Trade Promotion (or Stimulation), Traffic Department.

"Unfair Competition Bureau."

Wage Rates Compilation; Wage Schedules, Detailed; Washington Representative, Welfare.

What Can a Trade Association Do?

THE GOVERNMENT is soon expected to announce what function and activities trade associations may legally engage in, E. W. McCullough, manager of the Fabricated Production Department of the National Chamber, told the American Face Brick Association in annual convention at White Sulphur Springs, W. Va. He said that such a statement would have been made before this but for the fact that several governmental cases now are pending against certain trade associations, involving such questions as the proper use of statistics, open price plans and averages in cost accounting.

Uniform Cost Accounting

MORE THAN eighty industries have installed uniform cost accounting systems, according to the Fabricated Production Department of the National Chamber, which department is advocating a uniform cost system for each line of trade.

In a pamphlet recently issued, the department quoted a paragraph from a letter written by Mr. Gaskill, of the Federal Trade Commission, setting forth the fact that the commission approves of uniform cost systems. The paragraph reads:

> The conception of the commission is that the efforts of a trade association to educate the individual member in the application of sound principles of cost accounting in his individual business is proper—a group may not attempt to substitute a group average or standard either of cost or margin (profit) for the individual's figures. . . . "The individual must fix his own cost and his own margin."

Obstacles to Prosperity

SPEAKING before the American Paper and Pulp Association, Joseph H. Defrees, president of the National Chamber, specified the high cost of government as a hindrance to return of normal business conditions.

Other obstacles in the way of complete industrial readjustment mentioned by Mr. Defrees include the unsettled railroad situation, unbalanced foreign exchanges, and the uncertainty regarding enactment of tariff measures.

Dealing with the subject of government expenditures, Mr. Defrees called attention to the fact that appropriations for the fiscal year ending July 1, 1921, totaled more than three and three-quarters billion dollars. He said:

> These figures before the war would have been inconceivable. Much is being done and much more may be reasonably expected to be done as affecting subsequent years by the forceful efforts of General Dawes and his associates now specializing to eliminate waste and duplication of effort, and to induce the application of sound business methods. This can only be a partial relief, but its effect will be approximately immediate. The major weight of the burden, as we all know, comes from the cost of previous wars and of preparation for possible future wars. The percentages of the application of these appropriations of billions of dollars for a single year were published in a recent number of *The Army and Navy Journal* and are most interesting as well as shocking:

	Per cent
Obligations arising from World War	52.2
Postal service	11.0
Naval service	9.5
War Department	8.8
Obligations from previous wars	7.0
Public works	4.7
Primary functions of government	3.9
Miscellaneous	2.9

> In short, 77½ per cent for war purposes and 22½ per cent for all other purposes.
>
> The shock of seeing the enormity of our past misfortunes we must bear. The taxes to meet this burden we must pay cheerfully and freely, but the burden to come from future appropriations of this sort can be reduced to the minimum. The cost of preparation for future wars is still a matter for earnest and devout consideration, not only in our own interest but in the interest of the whole world.

Reclassification

THE DESIRE of the business world for a reclassification of United States employes as a means of making government more efficient was put before the House of Representatives when the Lehlbach Reclassification Bill was being debated.

In a letter to members of the House attention was called to the fact that the membership of the National Chamber voted overwhelmingly in favor of reclassification when the report of a special committee which investigated the subject was put to a ballot.

The Reclassification Bill did not get through the extra session, and will undoubtedly be taken up by the regular session.

Nippon Merchants for Disarmament

JAPANESE business men see in disarmament a step towards realization of international peace and an alleviation of the nations' burdens, according to a radio message received by the Chamber of Commerce of the United States today as a result of a meeting of all the chambers of commerce of Japan at Osaka. The message said:

> All chambers of commerce of Japan in convention Osaka have honor cabling you following resolution: "We consider disarmament most urgent at present for realization of international peace, alleviation of nations' burdens, and pray for success of Washington conference arriving at justice and equity."

In a letter transmitting the message to Secretary of State Hughes the United States Chamber said:

> We are making this message public feeling confident that it can only work for good.

Standardizing Paving Bricks

YESTERDAY there were 66 sizes of paving brick; today there are 11; tomorrow there may be but 4.

What wrought the miracle? Just common sense and a common ground for the interests involved, both manufacturing and engineering. There had been talk of a need of standardization in the industry for a number of years, but it had been chiefly talk. The putting of that talk into results is due in large part to two outside but interested parties, the Department of Commerce and the Chamber of Commerce through its Fabricated Production Department. These two agencies furnished the common meeting place for the exercise of common sense.

In its missionary work on standardization and elimination the Fabricated Production Department asked the paving-brick makers what they were doing. They replied that they weren't doing anything at the moment, although they knew that much could be done. They had found it difficult to secure the cooperation of the engineers. The National Chamber suggested that Secretary Hoover, himself an engineer, and his department were deeply interested in elimination of unnecessary sizes of manufactured articles and that a joint meeting of all the interested parties might be arranged.

That was done, quickly and successfully. E. W. McCullough, the manager of the Chamber's Fabricated Production Department, was made chairman of the meeting which gathered on November 15. Secretary Hoover made a short talk, and the task was well under way.

The actual cutting out of unnecessary sizes was based on a careful study by Maurice Greenough, secretary of the Paving Brick Manufacturers' Association. He charted sizes and recorded shipments of each size over a period of years.

Within an hour, forty-four sizes had gone to the discard. Then a committee was appointed to go over the figures again and come back after luncheon. That committee scrapped eleven more sizes, and in one day the industry had made a long step towards saner methods. A standing committee was named to carry on the work.

What does it mean to the community? Here's an opinion from R. Keith Compton, chairman of the Paving Commission of Baltimore:

The work of the conference will be of untold benefit to the highway engineering profession, for the following reasons—and in giving these reasons it must be borne in mind that the interests of the highway engineer and the manufacturer are identical:

In writing his specifications the engineer will now know exactly what is standard practice, and he will have to choose only within the 11 varieties. If he is an experienced man he will know that he should select, for heavy traffic roads and streets, those brick of the greatest depth. If the volume of traffic is moderate, he will take the size next in depth. If the volume of traffic is light, he will select the brick of the least depth. When it comes to style of brick, he will be guided largely by the output of the plants in his immediate locality, and in this connection he must depend entirely upon his own judgment.

The point was made at the conference that, with so many varieties on the market and the resulting inevitable confusion, frequently a manufacturer would ship, through error or through the natural shrinkage of his material, a brick slightly smaller than that called for in the specifications, and that the harm resulting therefrom might in some cases be very great, particularly on assessment work, where

The index for The Nation's Business for 1921 has been compiled. It will be sent to any subscriber on request.

the cost of such work is charged against the abutting property. In that case a dissatisfied or disgruntled abutter could, in this instance, appeal his case to the courts and probably receive a favorable verdict, on account of this slight technicality of variation in sizes. It was thought that the reduction in varieties would largely eliminate this weakness.

The advantage to the manufacturer and to the highway engineering profession at large is that the manufacturer can reduce his overhead by the employment of less labor and can also cut down his capital outlay by eliminating useless machinery. He will also have to carry less stock, and in this connection several manufacturers testified that they had been carrying odd sizes for years at a heavy loss. The advantage to the highway engineering profession generally is that the labor and capital thus released can very largely be used in the construction of more streets and roads and in the performance of more public work generally. And furthermore, the manufacturer can devote more time and money in perfecting a commodity which he knows is now a standard, and which he knows he will be called upon to furnish in certain sizes and styles only.

What does it mean to industry in general? That it can be done; that obstacles that seem difficult can be surmounted in short order once the will-to-do and the way-to-do can be got together. In this case the way-to-do was supplied by the United States Chamber of Commerce. Scarcely an industry but suffers from unneeded styles and sizes. The NATION'S BUSINESS has its personal problem. On the desk lies a letter asking help in standardizing paper grades and sizes. Here's a paragraph:

> According to estimates there are more than 600 kinds of folding machines and 200-odd sizes of printing presses made in this country because of a lack of a suitable system of standardization.

One recent estimate was that a plumbing contractor must have 14,000 pieces of equipment to meet any situation which may arise in the plumbing business.

How many other American industries have a problem like this—a problem that calls for common sense and a willingness on the part of individuals to make concessions for the common good?

Wasp to Tree to Water to Sugar

WHEN MAN attempts to remake nature he finds himself on a devious path. In Hawaii, they have sent abroad for a wasp because the sugar plantations need it, but the route from wasp to sugar is not a straight one.

The first need was assured supplies of water for the plantations. Most of it came from three large watersheds and it was desirable to reforest them. For this purpose the most suitable tree was the large banyan which will flourish in Hawaii, but is sterile for lack of a wasp which fertilizes the fig of which the banyan is a species.

So the experiment station of the Hawaiian Sugar Planters' Association sent out two missionaries to seek the proper wasp to pollinate the trees. One went to the Philippines, one to the Fiji Islands, while a third, despatched by the Territorial Government, set out for India.

The wasp-ambassador to the Fiji Islands has already shipped cases of wasps to his homeland. And as a result the planters hope that the banyan will grow naturally, the watersheds be protected and the sugar cane flourish.

What's Back of the Farm Bloc

POPULISM, greenbackism and bimetallism, the Grange, the Alliance, and the Wheel have their logical successor in a politico-agricultural organization known as the American Farm Bureau Federation. This, to be sure, is not the only farmers' league, but J. R. Howard, its president, asserts that it attained a paid membership of more than a million in its first year, that it is operating in forty states, and that some of the state units are spending annual budgets of a quarter of a million dollars or more, to say nothing of the $492,393 spent during 1921 by the central headquarters and lobby in Washington. It takes to itself credit for the formation of the agricultural "bloc" in Congress, and has written an ambitious program of class legislation.

After every panic the American farmer has felt himself especially aggrieved, inasmuch as his product is a raw material, which under the operation of an inescapable economic law is among the first to feel the fall of prices; and after every panic he has declared that the "money trust" is responsible.

As a rule the remedy proposed has been currency inflation, the creation of cheaper money that he might meet his debts with less effort—a remedy which, as Benjamin Strong has observed, is like painless dentistry, in that there's usually an abscess afterward.

In the present worldwide industrial depression, which is more acute in other great countries than in the United States, the American farmer nevertheless feels, as one man expresses it, "cornered and harassed"; he localizes his complaint and localizes the blame, and the Farm Bureau Federation may be accepted as an expression of his emotion. Its origin, growth, scope and purposes are set forth lucidly in a substantial volume (The Farm Bureau Movement, Macmillan, New York, two dollars) by Orville Merton Kile, formerly assistant Washington representative of the federation.

Mr. Kile says that the farmers "pooled their strength and their organization resources and had launched forth upon a course of action which forthwith made itself felt in council chambers, in counting rooms, and in legislative halls throughout the land. . . . They were proposing to take the business of farming in all its branches into their own hands and to regulate the intermediate branches. State and national law-making bodies soon reflected the entry of organized and unified agricultural opinion and caused professional politicians no end of worry. Legislation showed the unmistakable imprint of a new force."

These statements are sweeping. It is not the part of this reviewer to dispute, but merely to record them. With the record may be coupled a rapid catalogue of the reforms credited to farmers' organizations since the collapse of the political effort they centered on William Jennings Bryan: Regulation of railroads by national and state government, popular election of United States senators, rural free delivery of mails, parcel post, postal savings banks, Federal improvement of roads, anti-trust legislation, a Federal land bank system, and even greater flexibility of the currency (presumably through the Federal Reserve Act) "have all been brought about," says Mr. Kile, "in the relatively short period since 1896 and as a direct result of the spirit of progressiveness started by the prolonged agitation of the agricultural group." This, also, is sweeping.

But, however boastful this giant young organization may become in the first elation of its strength, to belittle its accomplishments and its ambitions is absurd. Henry C. Wallase, Secretary of Agriculture, is quoted by Mr. Kile as saying, at the Chicago convention which bought the organization into national being: "This federation must not degenerate into an educational or social institution. It must be made the most powerful business institution in the country." And Mr. Kile himself, in a chapter devoted to the farm bureau as a force in national affairs, observes:

> Perhaps the most notable tendency of the times is to force the large monopolies or close associations of a monopolistic nature, to submit to Federal regulation sufficiently drastic to make abuses impossible, but not so inelastic as to materially reduce their undoubted efficiency. In other words, society is insisting that the advantages of monopoly, or virtual monopoly, be divided with the consumer. This type of legislation has a long distance to go yet to make it really effective, but it has great possibilities. The Sherman Anti-Trust law has proven totally unable to prevent monopolistic conditions; the next effort is to be made apparently along the lines of control and limitation of private profits.
>
> The American farmer properly organized should prove a strong ally in this movement. Organized labor is also firmly committed to this policy. The Consumers' League naturally favors the plan. Together, these combined memberships can pass any measure that has a fair degree of support from what we call "public opinion."
>
> Assuming the continued strength and growth of all the organized groups mentioned, it does not appear at all extravagant to assert that the average American business man will have to learn to operate on less and less margins between original cost and final selling price. This means a higher degree of efficiency, probably involving reconstructed selling and distribution methods.

As the chief feather in its cap, the federation takes to itself credit for the packer legislation passed at the last session of Congress. Mr. Kile calls packer control and the completion of the Muscle Shoals government project the two outstanding congressional issues, so far as the farmer was concerned. "Strategically," he says, "these two questions were at the apex of the Farm Bureau phalanx. Both these measures encroached upon the assumed privileges of private business, and the big financial and commercial interests of the country were united to defeat them." Although the organization of the farmers' lobby and "bloc" has already been described, Mr. Kile has this to say: "A staff of packer lobbyists was on hand at Washington almost constantly, and their influence on politics and legislation through banking, newspaper and various commercial connections almost equaled the stranglehold the railways held upon legislative agencies in the eighties." Just when, one is tempted to ask, does a lobby cease to be an agency of reform? And when does it become a strangler?

Mr. Kile sets down the personnel in the last Congress of the House and Senate "blocs," and records that "by May both groups were in good working order and were in constant conference with the Washington office of the American Farm Bureau Federation, which is their recognized clearing-house for agricultural information. Within another month these agricultural 'blocs' began to make themselves felt, and by the middle of June they were in effective control."

By effective control Mr. Kile means that

the Farm Bureau, "being moderate in its demands, got practically everything it asked for," and adds:

In rapid succession were passed the Capper-Tincher Grain Exchange Control Bill, the Packer Control Bill, the Federal Aid Road Bill, and the various farm financing and crop exporting bills. In addition, the plans for a sales tax were blocked and full tariff protection on agricultural products was demanded and in most cases secured.

All known tactics were employed by the former leaders in Congress to break up this agricultural alignment. The best gifts within the control of the party were held out temptingly to the moving spirits in the agricultural groups if they would but desert or default. But these methods would not work. The alignment held.

Panic-stricken at the turn affairs had taken, the old-line leaders tried to adjourn Congress to some later date, in the hope that by that time they might have the situation more nearly in hand. But to their discomfiture they discovered that they could not even adjourn until the agricultural "blocs" with their controlling votes gave consent on condition that the pending legislation affecting agriculture first be disposed of.

At another point Mr. Kile hints at the hope of a combination of labor forces with the farmers. "Organized labor," he asserts, "has been making overtures to agriculture for some years. This effort is much more noticeable today. These groups solidly united could carry practically any national election, including a big majority of congressmen. Much interest attaches, therefore, to the possibility of such a coalition." More interest would attach to it, of course, if it were more probable. The interests of the farmer and the industrial worker are at variance. The worker wants cheaper food and higher wages. The farmer wants higher prices for his produce and lower wages for his "help." It is true that labor joined hands at times with the Nonpartisan League in North Dakota (to which Mr. Kile devotes a chapter of praise and defense), but North Dakota is not an industrial state. The logical outgrowth of the agricultural "bloc" in Congress is the formations of "blocs" devoted to the separate interests of mining and lumber and manufacturing and construction and banking and merchandising. And the logical outcome of that in time would be the splitting of these groups into smaller units based more specially on industrial divisions. And then we would have what the Guild Socialists say we should have, a legislative representation based, not on geographic but on productive boundaries. This would bring legislation designed for the aggrandizement of that class represented by a "bloc" strong enough to put through laws for its special benefit as apart from the benefit of the commonwealth. And this clearly is the trend of the class group in Congress.

Mr. Kile is confident that the present organization is not doomed, like its numerous predecessors, to an early death with the return of agricultural prosperity. He is at some pains to set forth its structural differences from the Grange and the Wheel and the others, and from the Farmers' Union which is still in existence; and he makes a fair case in favor of the federation. He has a clear-eyed vision of the difficulties ahead of the farm bureaus, and of the weaknesses inherent in such organization, and he meets them frankly and persuasively. Within the space assigned to this review it is impossible to go into these details, nor into the interesting facts regarding the origin of the bureaus with the country agent, their spread and

union into a national federation, and their activities in cooperative buying and selling. For those details the reader must go to the book.

Other Worthwhile Books

- EFFICIENT MARKETING FOR AGRICULTURE, by Theodore Macklin. Macmillan, New York.
- OUTLINES OF PUBLIC FINANCE, by Merlin Harold Hunter. Harpers', New York.
- ADVANCED BUSINESS CORRESPONDENCE, by George Burton Hotchkiss and Edward Jones Kilduff. Harpers', New York.
- THE GUARANTY OF BANK DEPOSITS, by Thomas Bruce Robb. Houghton Mifflin Co., New York.
- RISK, UNCERTAINTY, and PROFIT, by Frank H. Knight. Houghton Mifflin Co., New York.
- MANHOOD OF HUMANITY, by Alfred Korzybski. Dutton, New York.
- PROFIT SHARING BY AMERICAN EMPLOYERS, with examples from England and types in France, a report to the National Civic Federation. Dutton, New York.
- FOREIGN EXCHANGE: THEORY AND PRACTICE, by Thomas York. Ronald Press, New York.
- THE AMERICAN RAILROAD PROBLEM, by I. Leo Sharfman. Century, New York.
- THE ISOLATION PLAN, with Papers on the Covenant of the League of Nations, by William H. Blymer. Cornhill, Boston.
- SAFEGUARDING AMERICAN IDEALS, by Harry F. Atwood. Laird and Lee, Chicago.
- THE ORGANIZATION OF THE BOOT AND SHOE INDUSTRY IN MASSACHUSETTS BEFORE 1875, by Blanche Evans Hazard. Harvard University Press, Cambridge.
- SCIENCE AND COMMONSENSE IN WORKING WITH MEN, by Walter Dill Scott and M. H. S. Hayes. Ronald Press, New York.
- THE PACIFIC TRIANGLE, by Sydney Greenbie. Century, New York.
- TRADING WITH MEXICO, by Wallace Thompson. Dodd, Mead, New York.
- JUDGING COAL VALUES, Gerald B. Gould, Fuel Engineering Co., New York.
- TIME STUDY AND JOB ANALYSIS, by William O. Lichtner. The Ronald Press, New York.
- ACCOUNTANTS' REPORTS, by William H. Bell. The Ronald Press, New York.
- MOTOR TRUCK TRANSPORTATION: The Principles Governing Its Success, by E. Van Zandt Lane. D. Van Nostrand Co., New York.

Saner Ship Methods

SO MUCH justifiable criticism has been directed toward the United States Shipping Board in the past, it is an occasion for thankfulness that under the present régime the opportunity has risen for commendation. The two significant accomplishments of the present board are, first, the recognition of the fact that the management of ships is a highly technical business, requiring the services of experienced men; and, second, the establishment of a policy based upon that fact. By the appointment of J. B. Smull, W. J. Love, and A. J. Frey, men of character and high standing in the shipping business, as vice-presidents of the Emergency Fleet Corporation, and by conferring upon them complete authority in substantially all matters relating to the operation of the government-owned fleet, the Shipping Board has, for the first time, taken a step that is in accord with the best practice maintained in private ship-owning companies throughout the world; in other words, experience is now at the helm.

It is interesting to point out the results of this new policy. When these operating vice-presidents took office last July there were many vessels of the Shipping Board fleet that were making large losses. Some of them on tramp voyages were losing from $15,000 to

$40,000 between their departure from an[d] return to the United States. Since this ex[-] travagant policy was changed and ma[ny] vessels withdrawn from such service, eve[ry] voyage of like character has shown a prof[it].

All the trade routes that had been estab[-] lished have been maintained, except th[at] where three or four lines were being operate[d] from as many different ports to the sam[e] foreign country, each line sending out ship[s] that were only half loaded, consolidation ha[s] been effected by having fewer ships pick u[p] their cargoes at these same ports, the ship[s] proceeding from port to port until a full carg[o] is obtained. This practice not only save[s] money on ships, but a further saving is mad[e] through the elimination of operators, man[y] of them inexperienced and inefficient, and th[e] retention of those who have demonstrate[d] their fitness. The statement relative to th[e] maintenance of established trade routes is t[o] be modified in respect of certain services whe[re] the losses from operation were too grea[t] to be suffered. Notably this is true of th[e] six ships that were running between German[y] and South America, and losing between $30,[-] 000 and $50,000 each round voyage.

A Famous Contract

IT IS perhaps needless to point out that th[e] new operating managers do not approve o[f] that famous (or was it infamous that some[-] one speaking with authority called it?) con[-] tract which the Shipping Board made wit[h] the operators of its ships, wheseby the opera[-] tors were paid a percentage on the freigh[t] money and the Shipping Board paid all th[e] expenses and met all the losses, a sort o[f] "heads I win, tails you lose" arrangement.

The managers need not have spent year[s] in the business to realize that the poli[cy] neither effects careful management nor de[-] velops successful shipping men. According[ly] they are finding other methods. Notwith[-] standing the present depression throughou[t] the world is the greatest the shipping in[-] dustry has ever known, and that the ne[w] managers are signally unfortunate in havin[g] to develop their plans under limitations th[e] circumstance imposes, it is encouraging [to] know that at present twenty-three vessels ar[e] being operated under bare boat charter an[d] the Government thereby relieved of all finan[-] cial responsibility respecting them. So lon[g] as a ship is a liability rather than an asse[t], as is at present the case, it will be very dif[-] ficult, if not impossible, to transfer any con[-] siderable number of vessels to private hand[s] either by sale or charter. But a beginnin[g] has been made, based upon a recognition o[f] the fact that former policies of the Shippin[g] Board in this regard have been wholly wron[g] and much may be expected of this new polic[y] as conditions improve.

Not only is the new administration in th[e] Emergency Fleet Corporation saving mone[y] for the suffering taxpayers through the adop[-] tion of saner methods in the operation of th[e] ships, but by judicious use of the prunin[g] knife they have greatly reduced general an[d] overhead expenses. In round numbers th[e] total losses, including operation and over[-] head, have been practically cut in half; tha[t] is, where formerly they averaged abou[t] $10,000,000 per month the average now i[s] between $5,000,000 and $6,000,000, of which the loss on operation is about $1,000,000.

This is still a great toll to pay, but it mus[t] be regarded as an incident to misdirecte[d] efforts that were the result of war pressur[e] and ignorance, and one that must be suffere[d] until regained prosperity presents a mor[e] favorable opportunity for the disposal of th[e] government-owned ships.

Westinghouse

STARTING, LIGHTING & IGNITION EQUIPMENT

What Every Car Builder Knows

One of the best informed men in the Automotive Industry says that the public's knowledge of automobile mechanism shows real gains every day, with the one exception; that is, the average motorist shows comparatively little knowledge of his electrical apparatus.

For this reason it is necessary for the car manufacturer to equip his car with the electrical equipment that has back of it an organization that is prepared to give Service wherever and whenever it is required.

Westinghouse has built up an organization which is entirely devoted to designing, constructing and maintaining Starting, Lighting and Ignition Equipment.

Years of careful research and testing on the part of Westinghouse Automotive Engineers, the selection of proper materials and methods, together with the manufacturing facilities which are afforded by the highly specialized tool equipment in the Automotive Equipment Plant, produce "Built-In Service".

Two hundred and fifty Branch Service Stations, in cities thru-out the country, extend Westinghouse Service beyond that which is obtained when the car is purchased.

The purchaser of a car that is Westinghouse-equipped is assured of Service not only in the electrical apparatus itself but also in its maintenance—Service from First to Last.

WESTINGHOUSE ELECTRIC & MANUFACTURING COMPANY
Automotive Equipment Department
Sales and Service Headquarters: 82 Worthington St., Springfield, Mass.

Service

Use Only Genuine Parts. Beware of Parasite Parts-Makers.

WESTINGHOUSE ELECTRIC

NATIONAL CAPITAL PRESS, INC., WASHINGTON, D. C.